RESPONSE
to the
1981 REPORT
of the
AUDITOR GENERAL

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RESPONSE TO THE 1981 REPORT OF THE AUDITOR GENERAL

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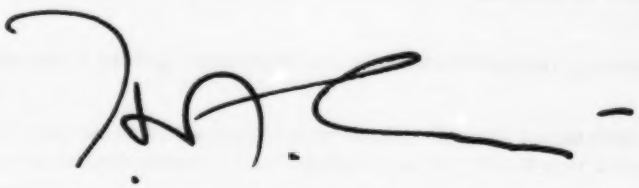
Statement by The Honourable Hugh A. Curtis on the 1981 Report of the Auditor General

I am pleased to present the government's response to the *1981 Report of the Auditor General*. It is the second in a series of responses that describes the actions that have been taken to strengthen the government's financial management. I see the *Report of the Auditor General* as a valuable tool in building increased efficiency and effectiveness in all areas of government financial management and control.

This *Response* indicates that much progress has been made and many improvements effected but also that much remains to be done. The government has created a solid foundation for effective financial control by enacting modern financial legislation and approving comprehensive financial administration policies. Now the challenge is to extend these foundations to create a sound financial management structure at the operational levels of the provincial government. It is a challenge that will be met and I believe that this *Response* represents one more step toward that objective.



Hugh A. Curtis
Minister of Finance

Management Overview

Two major accomplishments were noted in the last *Response:*—passage of the *Financial Administration Act,* and development of comprehensive accounting and financial management policies for government. These initiatives set the stage for the progress of the last year towards stronger financial management and control in government. Guided by the Comptroller General, each ministry has developed a plan to implement the new financial administration policies. In addition, an Internal Audit Master Plan has been developed by the Comptroller General in consultation with the ministries, to ensure that standards are met and policies applied consistently throughout government.

The government has also recognized the importance of promoting a standard of professional excellence among its financial administration personnel. Two major programs have been initiated to meet this objective:

—a financial management and control course has been developed by the Comptroller General and the Public Service Commission. This week-long course will improve staff and line management skills in the major areas of financial management and control.

—a review of the classification of financial managers has been undertaken. Its aim is to assist managers in career development and to provide incentives for employees to increase their knowledge and professionalism.

The move toward excellence in financial management is gaining momentum and ministries throughout government have responded positively to the challenge.

The contents of this *Response* are presented in the same manner as the *Report of the Auditor General,* so that direct and continuous references may be made between the two documents. Cross references to the *1981 Report of the Auditor General* are included in the righthand margin.

Section, Subsection	Auditor General's Reference (1981 Report)

C GOVERNMENT ACCOUNTING POLICIES

C 1. Exclusion of the Capital Financing Authorities from the Consolidated Financial Statements

1981
P. 8
2.4

The accounting policy applied to exclude the Capital Financing Authorities is based upon the recommendation contained in a report prepared by Coopers & Lybrand, Chartered Accountants, in July 1980 on financial reporting by the Government of British Columbia. The relevant sections of this report are as follows:

> 4.17.6 To the extent that the bodies these financing corporations fund derive revenues from local tax bases to repay the debt it is proper to exclude such corporations from the consolidated accounts. To the extent that the debt is paid for out of future grants by the Province to these entities, the Province might recognize the liability right away and show the off-setting charge as an expenditure of the year in which the borrowing took place.
>
> 4.17.7 We are unable at this time to estimate the amount of these debts that the Province will be required to meet. It would be a portion of the guaranteed debt issued by the school, hospital and educational financing authorities which presently aggregate $1,100,501,723.
>
> 4.17.8 If the Province chose to adopt this alternative of recording as an obligation the portion of this debt that will not be recovered from the tax bases of these entities, there would be a reduction in the opening balance of consolidated net assets and a corresponding increase in the consolidated debt to the extent of such portion.
>
> 4.17.9 We point out that this is an option available to the Province but is not recommended because of the difficulty in estimating the portion of this guaranteed debt that the Province will ultimately be called upon to pay. However, the statements should note the potential commitment to advance funds to these bodies to permit them to repay their debts.

C 2. Exclusion of the Workers' Compensation Board from the Consolidated Financial Statements

1981
P. 8-9
2.7

The government follows the recommendation carried in the Canadian Institute of Chartered Accountants Research Study *Financial Reporting by Governments*.This suggests that actuarially sound insurance programs should not be consolidated; however, if the program is not actuarially sound it should be accounted for in consolidation.

The annual report of the Workers' Compensation Board contained a special statement on the unfunded liability as at December 31, 1981. The statement indicates that the Board has, with actuarial advice, instituted a nine-year funding period commencing in 1982 to cover the liability.

There is no indication that the insurance program of the Board is not actuarially sound.

The government will reassess this situation each year.

Section, Subsection	Auditor General's Reference (1981 Report)

D FINANCIAL STATEMENTS

D 1. Application of New Accounting Policies

1981 P. 15 4.9, 4.10 4.11

The change to a modified accrual basis of accounting has created a considerable administrative problem in its first year of implementation. There has had to be a change in thinking on the part of all those with accounting responsibilities. Inevitably there have been some adjustments missed during the time it has taken to re-educate staff. However, the amounts involved did not materially affect the financial statements. Ongoing improvements in the recording of accrued transactions can be expected as staff in the ministries become more familiar with the new accounting policies.

D 2. Delay in Depositing Cash Receipts

P. 16 4.12, 4.13 4.14

The procedures that led to the delay in depositing a cheque for $415,000 have been changed. The Financial Administration Policy on the deposit of public monies has been implemented and should eliminate any repetition of such an occurrence.

D 3. Unrecorded Asset—Land Sale

P. 16 4.15, 4.16 4.17

The response made in D1 applies to this specific example of a missed accrual.

D 4. Provision for Loss on Loan

P. 17 4.18 to 4.21

The asset purchased by the funds from this loan has been taken over by the government. A sale is being arranged but, due to the specialized nature of the asset, the timing and amount of recovery are uncertain.

D 5. Mortgage Interest—Home Acquisition Fund

P. 17 4.22

The response made in D1 applies to this matter which is another specific example of a missed accrual.

D 6. Interest on Accounts Receivable

P. 17 4.23

Significant revenue amounts will be disclosed separately.

D 7. Accrued Interest—Crown Land Fund

P. 17, 18 4.24 to 4.26

The original agreement authorizing the advance of $4 million to the municipality has been superseded by a new agreement. Interest will be recorded based on the terms of the new agreement, and the records of the Crown Land Fund will reflect that interest.

D 8. Unexpended Balance of Appropriations

P. 18 4.27 to 4.30

The additional amount expended occurred before the Auditor General reported on the 1980 year-end payments. Repayment of the total outstanding amount has been made to the consolidated revenue fund.

Section, Subsection	Auditor General's Reference (1981 Report)

E INTERNAL CONTROL

1981 P. 19 5.1 to 5.5

The government recognizes the internal control deficiencies specifically noted by the Auditor General on Pages 39, 40 and 41 of her *Report*.

The Treasury Board has approved and circulated to the ministries its policies and requirements that set a high level of performance in the whole aspect of financial management. These policies establish the need to raise the financial function to its rightful level in the overall management of ministries.

However, changes of this nature will be slow to take effect because of the required change in management attitude, the need to have qualified personnel and the need to train line managers.

Steps have been taken to overcome these problems. Orientation sessions are being held for government personnel on the *Financial Administration Act* and the Treasury Board Policies. To date, more than 1,600 senior government personnel have attended and the intent is to provide the same sessions to all regional and district managers.

The concerns about staffing with qualified personnel are being answered by:

- A reclassification of financial management positions to reflect more accurately the responsibilities and qualifications desired.
- Training programs for existing staff, including encouragement to enroll in recognized accounting courses, supplemented by specific courses in government finance and accounting.

These personnel related initiatives form part of the Financial Management Master Plan that has already produced the *Financial Administration Act*, the related Treasury Board Financial Administration Policies, an Interactive Estimates System, a Cash Flow Forecasting System, the new accounting policies and an Internal Audit Master Plan.

Section, Subsection	Auditor General's Reference (1981 Report)

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

F 1. General

P. 21
1979 2.3

The recommendation by the Auditor General, in her 1979 *Report* that the financial statements be finalized by September 30 of each year, was followed in 1981 and will continue to be followed in future years.

F 2. Legislation

P. 21
1978 5.2
1979 3.3
1980 1.7

The *Financial Administration Act*, S.B.C. 1981, Chapter 15, was passed and proclaimed in force in January 1981, replacing obsolete financial statutes, and providing legislation to meet current and anticipated requirements.

F 3. Comments on the Financial Statements

F 3.1 Accounting Policies & Statement Presentation

P. 21
1978 6.14
1979 5.6
1980 2.2

As reported in the *Response to the 1980 Report of the Auditor General*, Treasury Board approved new accounting policies and financial statement presentation in August 1981. These were reflected in the 1980/81 *Public Accounts*.

F 3.2 Consistency With Stated Policies

P. 21
1978
8B.17

Treatment of holdbacks and deferrals of revenue from sale or lease of Crown Lands is now consistent with stated accounting policies.

F 3.3 Suspense Accounts

P. 22
1978 8B.18
1979 5.22

Suspense accounts now generally are reconciled and cleared on a regular basis and are no longer considered a significant problem.

F 3.4 Control Over Securities Lodged As Deposits

P. 22
1978
8B.20

Concern was expressed over the lack of control over securities lodged as deposits by ministries. A Comptroller General Instruction was issued during 1982 advising ministries to maintain records of all trust monies and negotiable securities and provide a reconciliation of all assets held in trust as at March 31, 1982.

F 3.5 Loan Agreement Terms

P. 22
1978
8C.14

During 1982 the provincial government legally reclaimed the assets related to this loan. The actual proceeds for the sale of the asset should be equal to the original $2.5 million loan.

F 3.6 Fixed Asset Accounting Policy

P. 22
1978
8C.29

The *1978 Report of the Auditor General* noted that the financial statements lacked clarity in stating the accounting policy for fixed assets. The policy is now clearly stated in Note 1 to the financial statements.

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

Section, Subsection	Auditor General's Reference (1981 Report)

F 3.7 Special Purpose Funds

P. 22
1979 5.14

The government is assisting the University Endowment Lands community to explore the financial implications of becoming a village municipality. Should municipal status be forthcoming the future of the advance account and the Special Purpose Funds will be reconsidered.

F 3.8 Marketable Securities

P. 22
1980 3.6

Whenever possible, the quoted value of marketable securities, as at the date of the financial statements, is disclosed in the financial statements.

F 3.9 Accuracy of Asset Balances

P. 22
1980 3.12

New procedures were fully implemented which address many of the concerns expressed by the Auditor General regarding the asset balance titled "General Fund: Taxes and Other Accounts Receivable—Land Sales (principal)". "Special Purpose Funds: Other Assets—Crown Land Fund—Real Estate" is now reconciled.

F 3.10 Verification of Income Taxes Payable

P. 23
1980 3.14

Limitations placed on the Auditor General, under the *Federal-Provincial Fiscal Arrangements & Established Programs Financing Act, 1977* (Canada), that prevent verification of income taxes payable to the province still exist.

F 3.11 Long-Term Disability Fund—Public Service

P. 23
1980 3.21

Where an unexpended balance remains in this account at fiscal year-end, legislation now provides the authority to transfer voted expenditures to the "Long-term Disability Fund—Public Service" and to hold the funds for future use.

F 3.12 Trust Accounts

P. 23
1980 3.24

Provincial monies held in lawyers' trust accounts were returned to the consolidated revenue fund and properly accounted for after the 1981 fiscal year-end.

F 3.13 Write-Offs

P. 23
1980 3.27

The *Financial Administration Act*, Sections 14 and 15, provides for the write-off in whole or in part on forgiveness of a debt or an obligation owing to the province. The 1981 write-offs of non-recoverable expenditures of the Crown Land Fund were approved by Treasury Board.

F 3.14 Guaranteed Debt

P. 23
1978 9.8
P. 23
1979 5.27

Appropriate accounting treatment is now consistently applied in calculating accrued interest and net guaranteed debt. The schedule of guaranteed debt, in Note 16 to the Combined Financial Statements, discloses the fair market value of investments held by the sinking funds. It now refers to Section F of the *Public Accounts* where information regarding the maturity dates, interest rates and redemption features of guaranteed debt may be found.

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

Section, Subsection	Auditor General's Reference (1981 Report)

F 4. Internal Control Systems

F 4.1 Deficiencies in Internal Control — **1978 7.4 to 1980 4.6**

The comments under Section E apply.

F 4.2 Monies Received on Behalf of the Province — **1980 4.14**

The *Financial Administration Act* clearly states that all monies received on behalf of the province shall be deposited to the credit of the Minister of Finance in an account authorized by the Minister of Finance.

F 5.1 MINISTRY OF AGRICULTURE

P. 24
1979 7.5

Recommendation was made that a field audit capability be established to monitor payments continually under the Agricultural Credit & Farm Income Assurance Programs. A program auditor, reporting to the Ministry Comptroller, now audits a small sample of claims or payments made under various programs. The number of claims audited is restricted by the lack of audit staff.

F 5.2 MINISTRY OF ATTORNEY GENERAL

F 5.2.1 Trust Assets — **P. 25, 1978 8F.5, 1979 7.14**

Ministry policy now requires teams of at least two investigators to take an inventory of trust assets. However, there are insufficient staff to allow for full compliance with this policy.

F 5.2.2 Fee Collection — **P. 25, 1979 7.16**

The ministry has developed an accounting system which effectively deals with the issue raised in the 1979 *Report* regarding the lack of uniform guidelines and effective and efficient methods of fee collection by the Public Trustee. Full implementation of this accounting system is scheduled for January 1983.

F 5.2.3 Purchase Commitments and Payment Approval — **P. 25, 1979 7.10**

In conformity with Treasury Board Financial Administration Policy, spending and payment authorities were drafted and subsequently approved by the Office of the Comptroller General.

F 5.3 MINISTRY OF CONSUMER & CORPORATE AFFAIRS

P. 25
1979 7.19

Procedures for internal audit of the Liquor Distribution Branch are being established in accordance with Treasury Board Financial Administration Policy, Chapter 13. It is intended that the Branch will assume these responsibilities and that the audit reports will form the basis for review by the ministry and the Office of the Comptroller General.

F 5.4 MINISTRY OF ENERGY, MINES & PETROLEUM RESOURCES

P. 26
1980 4.20

Procedures for receiving, reviewing and accepting bids for petroleum rights have been formalized and documented. Senior staff formally approve the acceptance of all bids.

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

Section, Subsection	Auditor General's Reference (1981 Report)

F 5.5 MINISTRY OF FINANCE

F 5.5.1 Securities Section

P. 26
1978 11.16 & 11.18
1980 4.17

In the 1978 and 1980 *Reports*, the Auditor General commented on weaknesses in internal controls and accounting records of the Securities Section. Treasury Division management now feels that the internal controls and accounting records are sufficient to maintain effective control over the handling of securities, and that the standards set compare favorably with those found in the private sector of the investment industry.

F 5.5.2 Central Accounting and Securities Section Systems

P. 26
1979 7.24

The comments under I2.6.3 apply.

F 5.6 MINISTRY OF HEALTH

F 5.6.1 Expenditure Control Weaknesses

P. 26
1979 7.30 & 7.31

In response to the Auditor General's criticism regarding inadequate internal controls, the ministry has recently created an internal monitoring section to review internal controls in areas such as government institutions. A pilot project to review and implement sound financial controls was undertaken this year at Valleyview Hospital. The review has been completed and implementation of the recommendations is in progress.

The Financial Services Division, in the Victoria headquarters area has undergone extensive reorganization. When completed it will ensure that proper segregation of duties exists. However, inadequate segregation of duties continues to be a problem in other areas of the ministry. As additional financial policies are implemented, segregation of duties will be improved. Financial signing authorities have been implemented in accordance with Treasury Board policy.

The ministry is continuing its process of centralizing certain financial functions previously performed in various program locations. Payroll offices in the Victoria area are being consolidated within the Financial Services Division at headquarters.

F 5.6.2 Revenue Controls

P. 26
1979 7.34-7.37

The issue of general inadequacy of controls to ensure proper collection and recording of revenue is being addressed by the ministry. All sources of revenue are being documented and accounting controls are being reviewed for the Victoria area and Health Districts. The Vancouver area will be reviewed in 1983/84. The new centralized financial division includes the position of Manager of Revenue responsible for the improvement and maintenance of revenue controls. This position was filled in May 1982.

F 5.6.3 Patient Trust Accounts

P. 26
1979 7.38

The ministry agrees with the Auditor General that it is essential to have a proper financial system in place to account for patient trust funds. Reconciliations of trust accounts are now being carried out and reviewed monthly in each institution. The review is carried out by managers of the hospitals involved. Responsibilities with respect to trust accounts have been segregated, in keeping with proper accounting practices, wherever practical. Creation of the ministry's internal audit team will allow a review of patient trust accounting procedures in all institutions.

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

Section, Subsection	Auditor General's Reference (1981 Report)

F 5.6.4 Control Accounts

P. 27
1979 7.39

Before 1971, an agreement was in effect by which the provincial and federal governments shared costs for hospital and health unit construction. In 1971, a balance of $142,000 in federal funds was transferred to the province. The ministry expended all but $342 on health unit fixtures as directed by the federal government upon cessation of the federal cost sharing program. This balance has been transferred to the consolidated revenue fund.

F 5.6.5 Hospital Insurance Fund

P. 27
1979 7.40
7.41

A Hospital Insurance Fund, from which grants are made to hospitals toward operating expenses and capital costs, is referred to in Section 17 of the *Hospital Insurance Act*. No such fund has existed since 1955 when the balance of the fund was credited to general fund revenue. All expenditures and revenue now flow directly through the general fund of the province. Although there appears to be a conflict between legislation and accounting practices concerning the Hospital Insurance Fund, this anomaly has not, in itself, created danger of misappropriation or loss.

The ministry has recommended a legislative amendment to remove reference to the Hospital Insurance Fund from the *Hospital Insurance Act*.

F 5.6.6 Emergency Health Services Commission

P.27
1979 7.42
7.43 7.44

To ensure compliance with legislation, the *Emergency Health Services Act* has been proposed for amendment at a future session of the Legislature so as to reflect the current practices of the Emergency Health Services Commission.

P. 27
1979 7.45

The Commission was criticized in the *1979 Report* for shortcomings in its financial controls system. In particular, outstanding accounts receivable as at March 31, 1979, amounting to $1.2 million and relating to the 1978 fiscal year, had not been written off. The extent of the write-offs indicated weaknesses in the collection process. The outstanding accounts receivable have now been written off as uncollectible. These accounts related to 1978, 1979 and 1980. A detailed review of billings and collection procedures to deal with identified weaknesses is underway. The Commission was also criticized for lack of control over operating unit advances. The ministry now follows adequate reconciliation procedures to ensure proper control.

In addition, a reduction in operating units from 110 to 60 this year has led to considerable improvement in the control of the advances. It is planned to reduce further the number of units receiving advances during the current fiscal year.

F 5.6.7 Patient Maintenance Accounts

P. 27
1980 4.26

Patient maintenance accounts receivable deemed collectible at provincial government hospitals are now included in the 1981 financial statements. The issue of a coordinated policy for adjustment, collection and write-off of hospital charges receivable will be resolved as Treasury Board policies are implemented.

F 5.7 MINISTRY OF HUMAN RESOURCES

P. 28
1979 7.52

The Auditor General recommended that guidelines and procedures be established to ensure all ministries making expenditures shareable under the Canada Assistance Plan provide the Ministry of Human Resources with information necessary to make claims. These guidelines and procedures were distributed to all ministries on September 30, 1981.

F STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL

Section, Subsection	Auditor General's Reference (1981 Report)

F 5.8 MINISTRY OF LANDS, PARKS & HOUSING

F 5.8.1 Housing Fund

P. 28
1978 8D.5
& 8D.6
1979 7.54
& 7.55

The costs for federal/provincial partnership projects recorded by the Housing Fund (now Crown Land Fund) are now in agreement with the Canada Mortgage and Housing Corporation cost records.

F 5.8.2 Housing Grants Programs

P. 28
1979 7.57

The Auditor General recommended that reporting requirements for housing cooperatives and non-profit societies should be enforced to achieve efficient financial management of the housing grants program. The program is now administered under the B.C. Housing Management Commission. The ministry has given clear direction to the Commission regarding reporting requirements. Terms of reference for the Commission's external auditors will include a review to ensure compliance with these requirements.

F 5.9 MINISTRY OF PROVINCIAL SECRETARY AND GOVERNMENT SERVICES

F 5.9.1 Certification of Statement of Accounts

P. 28
1978 8B.12
8B.13

The statement of accounts of the Queen's Printer requires certification as stated in the *Queen's Printer Act*. An amendment to the Act to remove this provision is under active consideration.

F 5.9.2 Inventory Accounting System

P. 28
1978 8B.14
8B.15

The major portion of work on improvements in the inventory accounting system of the Queen's Printer was completed on October 15, 1982.

F 5.9.3 Lotteries Branch

P. 29
1979 7.63

Changes in the ticket distribution system and improvements in accounting records have been implemented in response to concerns expressed by the Auditor General over lack of controls in the accounting system.

F 5.9.4 First Citizens Fund

P. 29
1979 7.25

The investment of $350,000 in 1975 from the First Citizens Fund is now correctly recorded in the accounts.

Section, Subsection	Auditor General's Reference (1981 Report)

G PUBLIC BODIES

G 1. Financial Statements

P. 29
1980 5.2

The financial statements of public bodies audited by the Auditor General are now included in the *Public Accounts*.

G 2. B.C. Educational Institutions Capital Financing Authority

P. 29
1980 5.10

In compliance with the *Educational Institution Capital Finance Act* the Capital Financing Authority has obtained debentures from the educational institutions for all loans made under the Act.

Section, Subsection	Auditor General's Reference (1981 Report)

H FINANCIAL MANAGEMENT AND CONTROL AUDITS

H 1. MINISTRY OF FORESTS

H 1.1 Management of the Financial Function

H 1.1.1 Responsibilities of the Executive Financial Officer

P. 44
8.40

The ministry is satisfied that the non-financial responsibilities of the Executive Financial Officer do not detract from his primary responsibility, the financial management and control function.

H 1.1.2 Comprehensive Development Plan

P. 44
8.41

In April 1982, the Deputy Minister appointed a Financial Management Task Force to develop and implement a financial management plan for the ministry. A steering committee was formed, comprising the Executive Financial Officer, the Assistant Deputy Minister—Timber, Range and Recreation, and the Senior Financial Officer. The steering committee established seven groups whose responsibility was to formulate work plans. These plans have been completed and are now in the hands of the steering committee for review and implementation.

H 1.1.3 Responsibilities of Financial Staff

P. 44
8.42

The ministry is satisfied that the non-financial responsibilities of the Finance and Administration managers and the accounting officers do not detract from the financial management and control function in the regions.

H 1.1.4 Functional Relationships & Responsibilities

P. 45
8.43

The functional relationships and responsibilities that exist between the Central Financial Group, Headquarters Branches, and the regional and district financial officers are generally understood. A policy statement on this issue will be prepared in due course.

P. 45
8.44

The Executive Financial Officer will strengthen functional relationships through a policy statement and an organization chart of functional financial relationships to be displayed in the ministry financial manual. In addition, the Executive Financial Officer and Regional Finance and Administration managers hold quarterly meetings.

P. 45
8.45

The establishment of the financial signing authorities matrix has also addressed the concern of defining financial responsibilities at the regional and district level.

H 1.1.5 Financial Staff Requirements

P. 46
8.46

A study of the financial staff requirements of the ministry was carried out in the Vancouver region. However, the recommendations made in the report have not been implemented due to the government restraint program. The study is to be reviewed this fall to determine whether it will be applied to other regions throughout the ministry.

H 1.1.6 Financial Staff Training Needs

P. 46
8.47

Training of financial staff in the ministry is encouraged by funding of courses and programs. Planned enhancements to the training program have been delayed due to the government restraint program. The ministry will actively support the Financial Management Certificate Program when it is implemented.

Section, Subsection	Auditor General's Reference (1981 Report)

H 1.1.7 Financial Accounting Manual

P. 46
8.48

The Central Finance Group is currently developing the Financial Policy and User's Procedure Manual, which will include all current financial policies, subsequent additions and detailed procedures. The outline of the manual has been produced and policies and procedures are being developed as quickly as resources are made available.

H 1.2 Planning, Budgeting and Budgetary Control

H 1.2.1 Planning Process

P. 47
8.49

The ministry has initiated a project whereby regions will develop five-year programs and annual budgets using micro-computers which interface with the I.P. Sharpe interactive system. A pilot project has been established in Kamloops and a cost-benefit analysis will determine the outcome of the overall project.

H 1.2.2 Review of Budget Submissions

P. 47
8.50

Financial staff now review and challenge all budget submissions before they are forwarded to the ministry's executive committee.

H 1.2.3 Operating Plans

P. 47
8.51

The planning and budgeting processes have been merged into one. After the budget level is approved, the operating plan is prepared to reflect the approved budget.

H 1.2.4 Variance Analysis

P. 47
8.52

The ministry has established a variance analysis system whereby the 1983/84 budget will have program/activity output measurements to be compared with actual results. The variance analysis will be reported in the ministry's 1982 annual report.

H 1.2.5 Commitment Accounting

P. 48
8.53

The present system of recording and reporting of commitments has undergone a cost-effectiveness review by the ministry. As a result, a policy for commitment accounting has been developed and submitted to the executive for approval. Procedures are being developed for implementation by April 1, 1983.

H 1.3 Accounting & Financial Reporting Systems

H 1.3.1 Management Information System

P. 48
8.54

The recommendation was made that a complete and coordinated reporting system responding to the needs of all levels of management be implemented. The ministry has reviewed three financial management information systems, and will be reviewing two more proposals in the near future. The ministry has not yet ruled out the development of a management information system in-house. A decision is expected either late this fiscal year or early next fiscal year.

Section, Subsection	Auditor General's Reference (1981 Report)

H 1.3.2 Processing of Expenditure Transactions — P. 48 8.55

The ministry agrees that computer transaction reports should be checked against original expenditure transactions to ensure correct and complete processing. However, due to lack of staff, a 100 per cent check cannot be undertaken. A general review is made and error reports are completed in-house to identify trouble spots and to take corrective action.

H 1.3.3 Suspense Accounts — P. 49 8.56

Central Finance has established and implemented a policy that requires regular analysis of all suspense accounts.

H 1.3.4 Duplication of Reporting Systems — P. 49 8.57

All duplication in subsidiary and independent accounting and financial reporting systems has been eliminated where possible.

H 1.4 Financial Control of Revenue and Expenditure

H 1.4.1 Control Over Billing Process — P. 49 8.58

A review of the revenue-billing system was undertaken jointly by the Internal Audit Division, Office of the Comptroller General and the ministry. An interim report has been prepared and the final report is expected later this year. Appropriate action, to improve controls in the system, will be taken after the final report has been reviewed.

H 1.4.2 Controls in the Revenue System — P. 49 8.59

The comments under H1.4.1 apply.

H 1.5 Section 88 Credits

H 1.5.1 Policy & Procedures Manual — P. 49 8.60

A procedures manual has been completed, covering the policies and procedures that regions and districts should follow in controlling work carried out by licensees under Section 88 of the *Forest Act*. This manual has been in use for six months and is currently being reviewed and updated.

H 1.5.2 Guidelines For Estimating Costs — P. 50 8.61

Ministry branches have developed provincial guidelines consistent with Section 88 policy and are currently implementing them.

H 1.5.3 Review & Approval of All Projects — P. 50 8.62

The regional manager now reviews and approves all projects for all Section 88 (2) addenda and amendments. The Chief Forester reviews and approves all projects for all Section 88 (1) addenda.

H 1.5.4 Guidelines For Projects Undertaken Before Approval — P. 50 8.63

The ministry has developed guidelines whereby a licensee may begin work on a Section 88 project before an addendum has been signed. The guidelines will be implemented, upon completion of the manual revision, possibly January 1, 1983.

Section, Subsection	Auditor General's Reference (1981 Report)

H 1.5.5 Standardization of Schedules

P. 50 8.64

The ministry is attempting to standardize schedules. Implementation of the new schedules is planned for January 1, 1983.

H 1.5.6 Inspection of Projects

P. 50 8.65

In conjunction with the development of standard schedules, the ministry is attempting to develop a provincial standard for inspecting the quality and completeness of work on projects. This standard will take into account the value and type of project and the risk involved.

H 1.5.7 Validity of Cost Claims

P. 50 8.66

The comments under H1.5.6 apply.

H 1.5.8 Provision For Audit

P. 51 8.67

The ministry feels that where there is an addendum there is no need to include a provision for audit in its agreements with licensees. There is a requirement that the cost claim must comply or agree with the addendum. Where cost claims are based on actual costs, the ministry will give serious consideration to including a provision to audit.

H 1.5.9 Monitoring Compliance With Policy

P. 51 8.68

The ministry policy states that Headquarters Branches are responsible for monitoring regional and district compliance with policies and procedures. All regions were reviewed in May and June. Regular annual visits will continue to be made.

H 1.6 Assets

H 1.6.1 Control Over Cash Receipts

P. 51 8.69

Cash receipts are now promptly deposited and recorded.

H 1.6.2 Charging Interest Date

P. 51 8.70

The Auditor General recommended that the ministry reconsider its policy of charging interest from the statement date rather than from the invoice date. The ministry has reviewed this policy and the decision has been made to continue charging interest from the statement date. The benefit derived from charging interest from the invoice date would not outweigh the cost of billing each invoice.

H 1.6.3 Improving Cash Flow

P. 52 8.71

The comments under H1.4.1 apply.

H 1.6.4 Aged Analyses of Accounts Receivable

P. 52 8.72

The ministry now prepares accounts receivable reports to show gross, net and accrued amounts.

Section, Subsection	Auditor General's Reference (1981 Report)

H 1.6.5 Doubtful Accounts

P. 52 8.73

Policies providing an effective and efficient system for controlling assets, including accounts receivable, and doubtful accounts, are being developed in accordance with the Financial Administration Policy Manual. A review was made of the assets control system in the ministry by an independent management consultant team and was presented to the executive committee for review in November 1982.

H 1.6.6 Asset Policy

P. 52 8.74

The comments under H1.6.5 apply.

H 1.7 Internal Audit

H 1.7.1 Reporting Relationship

P. 52 8.75

The Internal Auditor will report to an executive committee comprising the Deputy Minister, the Assistant Deputy Minister—Finance and Administration, and the Assistant Deputy Minister—Operations.

H 1.7.2 Audit Plan

P. 52 8.76

An audit plan was prepared by the ministry in consultation with the Comptroller General's Internal Audit Division. Implementation has been delayed due to staffing problems.

H 1.7.3 Expanding the Role of the Internal Auditor

P. 53 8.77

The recommendation was made that the internal auditor's role be expanded to include reviews of the cost effectiveness of non-financial functions. The ministry agrees with this recommendation in principle but does not consider it a high priority item.

H 2. MINISTRY OF HEALTH

H 2.1 Management of the Financial Function

H 2.1.1 Management's Role

P. 55 8.88

As each policy in the Ministry of Health Financial Administration Policy Manual is developed, the policy is approved by the Deputy Minister and circulated widely throughout the ministry. It is felt that through this process ministry staff will become aware of the role of financial management and control. Additionally, the Policies and Procedures section of the Financial Services Division is responsible for ensuring that staff directly influenced by the new financial policies understand both the policies and the rationale behind them as well as understanding the need for any other financial initiatives taken by the ministry.

H 2.1.2 Designation of Responsibility

P. 55 8.89

The responsibility for developing a comprehensive action plan to coordinate and control the necessary improvements in financial management and control has been delegated to the Executive Financial Officer.

Section, Subsection	Auditor General's Reference (1981 Report)

H 2.1.3 Time Management

P. 55 8.90

The ministry is of the opinion that the Executive Financial Officer will be able to devote sufficient time to financial management and control matters despite his broad range of administrative and operational responsibilities.

H 2.1.4 Role of the Central Financial Group

P. 55 8.91

A policy outlining the organization and responsibilities of the Financial Services Division of the ministry is being drafted for approval by the Deputy Minister. This is being done in response to the Auditor General's recommendation that the ministry clearly explain the role of the Central Financial Group to other financial personnel in the ministry. Once approved, this policy will be circulated throughout the ministry through the Financial Administration Policy Manual.

H 2.1.5 Financial Staffing Requirements

P. 55 8.92

The new organization of the Financial Services Division has recognized the need to upgrade the quality and quantity of the ministry's financial staff. The Internal Monitoring Division is now completely staffed. Two positions remain vacant in Policy Development. Treasury Board approval has been obtained for the establishment of the Management Practices and Audit Group. These positions have not yet been posted.

P. 55 8.93

In-house and external staff training programs are being developed. However, fiscal restraint may have an impact on the implementation of these programs. The training and development program initiated by the Ministry of Finance entitled "Financial Management Certificate Program" will substantially assist in this regard.

H 2.1.6 Financial Administration Policy Manual

P. 56 8.94

A Financial Administration Policy Manual detailing the financial policies and procedures within the ministry is currently being developed. Policies such as Accountable Advances, Financial Signing Authorities, and Service Contracts have already been approved by the Deputy Minister and circulated throughout the ministry. The development of these policies is an extensive undertaking and is being addressed on a priority basis.

H 2.2 Planning, Budgeting & Budgetary Control

H 2.2.1 Development of the Planning Process

P. 56 8.95

The ministry recognizes the need for assessing the financial implications of proposed strategic and long-term options and for ensuring that the alternatives chosen are within funding limits.

The completion of the staffing of the Financial Services Division will allow the ministry to attain the objective of full financial participation in the planning process.

H 2.2.2 Guidelines For Funded Agencies

P. 56 8.96

In order to better estimate and maintain closer control of the cost of programs delivered by funded agencies, the ministry is establishing funding and service guidelines for each agency, to meet the objectives specified in the *Report of the Auditor General* on a priority basis.

Section, Subsection	Auditor General's Reference (1981 Report)

H 2.2.3 Budget Review & Approval

P. 56
8.97

Revisions have been made in the review and approval process for budgets submitted by non-government health care agencies. Improvements will continue to be made in the future to ensure the effectiveness of the budget review and approval process.

H 2.2.4 Payments to Non-Government Agencies

P. 57
8.98

The ministry agrees with the recommendation made by the Auditor General that payments made to non-government agencies should be monitored against plans and budgets. Improvements in the monitoring system will proceed as quickly as additional appropriate staff resources can be allocated to this function.

H 2.3 Accounting & Financial Reporting System

H 2.3.1 Chart of Accounts

P. 57
8.99

In order to provide a more effective accounting and reporting system, the ministry chart of accounts has been revised and is being continuously updated to reflect approved vote structures, program and information needs.

H 2.3.2 Financial Reporting Requirements

P. 57
8.100

The ministry is currently evaluating several accounting software packages with a view to developing its own financial information system. This is a significant task and will take considerable time to develop and implement.

P. 58
8.101

H 2.3.3 Approval of New Systems

P. 58
8.102

The approval of new systems and modifications to existing systems will be given by the Senior Financial Officer. A cost-benefit analysis will be required to support any modifications on new systems implemented.

H 2.3.4 Development Standards For New Systems

P. 58
8.103

The ministry is developing systems control standards which will comply with the policy contained in the Treasury Board Financial Administration Policy Manual.

H 2.4 Expenditure & Revenue Controls

H 2.4.1 Revenue Sources & Controls

P. 58
8.104

The comments under F5.6.2 apply.

H 2.4.2 Financial Signing Authorities

P. 58
8.105

The financial signing authority policy which identifies spending and payment authorities was implemented July 1, 1982 by the ministry. As part of the overall accounting system review within the ministry, the procedures for controlling commitments will be incorporated in an Appropriation and Commitment Control Policy.

Section, Subsection	Auditor General's Reference (1981 Report)

H 2.5 Assets

P. 58
8.106

To ensure adequate asset control, the ministry will address the need for further development of policies and procedures on a priority basis.

H 2.6 Internal Audit

P. 59
8.107

P. 59
8.108

The review of the financial function, as well as of management and operating systems in the ministry, is the mandate of an independent internal audit group which reports directly to the Senior Assistant Deputy Minister. The Internal Monitoring Section of the Financial Services Division is primarily responsible for ensuring compliance with established policies and procedures. This section is now in place and is developing a mandate and three-year forecast of audit coverage.

Section, Subsection	Auditor General's Reference (1981 Report)

I STATUS OF FINDINGS FROM PREVIOUS FINANCIAL MANAGEMENT AND CONTROL AUDITS

I 1. MINISTRY OF EDUCATION

I 1.1 Role, Function & Reporting Relationships of the Senior Financial Officer

I 1.1.1 Role of the Senior Financial Officer

P. 60
9.19

As previously reported, the ministry has communicated the role of financial management and control to all personnel in the ministry. The Executive Financial Officer is now involved in all decisions having significant financial impact or involving financial systems and procedures.

I 1.1.2 Reporting Relationship

P. 60
9.20
P. 61
9.21

The Assistant Deputy Minister, Educational Finance (now the designated Executive Financial Officer) reports directly to the Deputy Minister and is a member of the Policy and Resource Allocation Committee of the ministry (the Executive Committee).

I 1.2 Functional & Direct Relationship

P. 61
9.22

The responsibilities and reporting relationships of financial officers reporting directly to the Executive Financial Officer were examined and redeveloped as part of the 1981 reorganization.

P. 61
9.23

The Executive Financial Officer's staff monitor monthly financial reports for each responsibility centre, including commitments.

Quarterly variance reports now filed by each responsibility centre manager are being used and are filed with the Executive Financial Officer. The Education Finance Department staff follow up these reports to ensure corrective action is taken.

I 1.3 Staffing & Training

I 1.3.1 Training of Financial Staff

P. 62
9.24
9.25

The ministry now has training sessions in areas of financial procedures. With changes in the organization, job descriptions have been written to reflect reporting relationships and functions related to financial management and control.

I 1.3.2 Rotation of Financial Officers

P. 62
9.26

The Auditor General recommended periodic rotation of the ministry's financial officers as a means of ensuring appropriate skills development. The ministry's position is that rotation will be considered where possible. However, the extent to which this is feasible is limited due to government policies and agreements regarding the reassignment and deployment of personnel.

I 1.4 Communications

P. 62
9.27

An Administrative Procedures Manual detailing financial policies and procedures was distributed to all financial officers and responsibility centre managers in March 1982. The manual will be updated when necessary and reviewed annually by the Senior Financial Officer.

Section, Subsection	Auditor General's Reference (1981 Report)

I 1.5 Ministry Budgetary Procedures

I 1.5.1 Responsibilities in Budget Preparation — P. 63, 9.28

A new division, Budget & Development Analysis, reporting to the Assistant Deputy Minister, Educational Finance is now operative. The division has documented and issued procedures that define both the role and responsibilities of responsibility centre managers in the budget process.

I 1.5.2 Budget Responsibilities of Financial Services — P. 63, 9.29

The comments under I1.5.1 apply.

I 1.5.3 Approval of Budget Adjustments — P. 63, 9.30

Formal approval by the Educational Finance Department is now required for all major budget changes, reallocations and adjustments.

I 1.5.4 Variance Analysis — P. 63, 9.31

The ministry implemented a documented policy for dealing with variances which became effective March 31, 1981. The policy addressed the points outlined by the Auditor General in her 1980 *Report*.

I 1.5.5 Guidelines & Training For The Commitment System — P. 64, 9.32

Guidelines for the commitment system were documented before the system became operational on April 1, 1981. Training sessions were given to all staff affected by the system.

I 1.5.6 Financial Impact of New Programs — P. 64, 9.33

The policy development committees of the ministry ensure the involvement of the Educational Finance Department in the development of new programs. The financial impact is assessed as ministry budgets are prepared.

I 1.6 Budgets Submitted by School Districts

I 1.6.1 Budget Preparation — P. 64, 9.34

It was recommended that school district budgets be prepared on a program basis to allow the ministry to determine the cost and effectiveness of each program. The current plan for the School District Management information system project indicates that a pilot project may be initiated in 1983. However, the success of the project in meeting deadlines will be adversely affected by budgetary constraints and lack of personnel.

I 1.6.2 Control Over Special Program Funds — P. 65, 9.35

Control over special program funds is being improved by reviewing the underlying principles of such funding and improving the quality of data being provided for analysis. This review is continuing to the extent permissible by the current staffing level.

Section, Subsection	Auditor General's Reference (1981 Report)

I 1.6.3 Review of the Budgeting System — P. 65, 9.36

The Executive Financial Officer will take an active interest in the pilot project outlined in I1.6.1, to ensure that all matters of financial significance are considered.

I 1.6.4 Challenging Submitted Budgets — P. 65, 9.37

Budgets are reviewed rather than challenged by the ministry. A Management Indicators Report on each school district indicates variances from provincial norms. All major anomalies are followed up by officials of the Schools Department and the Department of Educational Finance.

I 1.7 Budgets Submitted By Post-Secondary Institutions

I 1.7.1 Responsibility for Budgets — P. 65, 9.38

As previously reported, the Educational Finance Department is involved in the review of all budgets for post-secondary institutions.

I 1.7.2 Senior Financial Officer Involvement — P. 66, 9.39

The Senior Financial Officer is involved in the review of budgets submitted by post-secondary institutions.

I 1.7.3 Review of Funds for Continuing Education — P. 66, 9.40

To improve control over funds designated for continuing education purposes, the ministry now reviews their use at the school district level.

I 1.7.4 Long-Term Plans — P. 66, 9.41

Long-term operating and capital planning processes for post-secondary institutions are under development.

I 1.8 Financial Management Reporting

I 1.8.1 Review of the Financial Management Reporting System — P. 66, 9.42

The Auditor General recommended a review of the reporting system to determine the feasibility of incorporating ministry revenues, operating performance and utilization measurement data, and key aspects on control account data from subsidiary accounting systems. Resources for this recommendation are included in the 1983/84 budget request.

I 1.8.2 Review of Subsidiary Accounts — P. 67, 9.43

New positions were established to review the adequacy of controls of the subsidiary accounting system and periodically review the subsidiary accounts. Any relevant data will be included in regular reports to the Senior Financial Officer. These positions have been filled and work is being planned in these areas.

I 1.8.3 Cost-Benefit Analyses of New Systems — P. 67, 9.44

The ministry prepares a cost-benefit analysis as part of every new systems proposal, particularly for management or data processing systems.

Section, Subsection	Auditor General's Reference (1981 Report)

I 1.9 Documentation of Revenue & Expenditure Systems — P. 67, 9.45

Although the ministry encountered some difficulties in obtaining skilled personnel to review and document the revenue and expenditure systems, the positions are now filled and work is underway.

I 1.10 Accounting Controls

I 1.10.1 Control Over Votes 56 & 60 — P. 68, 9.46

As reported in last year's *Response*, reviews made by the Ministries of Education and Finance, of the responsibility and accountability for expenditures charged to Vote 56 (Grants to Reduce Local School Taxes) and amounts credited to Vote 60 (Recovery of Rural District Taxes), have been clarified.

I 1.10.2 Verification of Amount Charged to Vote 59 — P. 68, 9.47

To ensure the accuracy of amounts charged to Vote 59 (Teachers' Pension Fund), ministry officials now work closely with Superannuation Commission officials in the administration of this vote.

I 1.10.3 Control Over Student Aid Program — P. 68, 9.48

The system used to approve and pay post-secondary student aid is reviewed periodically by the Executive Financial Officer and his staff.

I 1.10.4 Control Over French Language Education Funds — P. 68, 9.49

To improve control over funds received from the Federal Government for French language education, the ministry is documenting in detail the accounting procedures relating to these funds.

I 1.11 Revenue Controls

I 1.11.1 Identification of Revenue Sources & Accounting Controls — P. 69, 9.50

The ministry's revenue control procedures have been reviewed in light of the Treasury Board Financial Administration Policy on revenue control. Resources to implement the recommendations arising from this review are included in the 1983/84 budget.

I 1.11.2 Revenue Budgets — P. 69, 9.51

The comments under I1.11.1 apply.

I 1.12 Responsibilities For Control Over Assets & Liabilities — P. 69, 9.52

Work has been started to establish policies for asset control and accounting procedures. A project team was formed to review requirements for an asset control system. However, the success of the project in meeting deadlines will be dependent on budgetary constraints and availability of personnel.

I 1.13 Accounting and Physical Controls In Asset Management Systems

I 1.13.1 Review & Documentation of Asset Controls — P. 70, 9.53

The comments under I1.12 apply.

Section, Subsection	Auditor General's Reference (1981 Report)
I 1.13.2 Fixed Asset Records	P. 70 9.54
The comments under I1.12 apply.	
I 1.13.3 Segregation of Duties	P. 70 9.55
The comments under I1.12 apply.	
I 1.14 Ministry Internal Audit	
I1.14.1 Review of Internal Audit Needs	P.70 9.56
The position of Director of Internal Audit was filled in June 1982. A program of internal audit is being developed. A request for more staffing is included in the 1983/84 budget.	
I 1.14.2 Internal Audit Program	P. 70 9.57
The comments under I1.14.1 apply.	
I 1.15 Operational Reviews of School Districts, Colleges & Institutes	
I 1.15.1 Auditing the Use of Funds	P. 71 9.58
The recommendation was made that the ministry consider auditing the use of funds provided to school districts, colleges and institutes to ensure the proper management of these resources. At present, internal audit has enough staff to permit some involvement with school districts. A full scale audit program encompassing all school districts, colleges and institutes will require further staffing.	
I 1.15.2 Operational Review Units	P. 71 9.59
The comments under I1.15.1 apply.	
I 1.16 School's Enrollment Data—Independent Verification	P. 71 9.60
The ministry performed audits on enrollment data from selected school districts in 1980. Selective audits will be performed from time to time as the ministry considers it necessary.	
I 2. MINISTRY OF FINANCE	
I 2.1 Role of Financial Management	
I 2.1.1 Management of the Financial Function	P. 72 9.67
The organization structure, developed to ensure reliable, complete, relevant and accurate financial information, was implemented in March 1982. An Executive Financial Officer and Senior Financial Officer were appointed as well as directors and financial officers for various divisions within the ministry.	

Section, Subsection	Auditor General's Reference (1981 Report)

I 2.1.2 Functional Direction — P. 72, 9. 68

Lines of authority, both direct and functional, have been communicated throughout the ministry by the introduction of the Financial Officers Committee. The Senior Financial Officer is chairman of the committee and acts as the contact with central agencies. In addition, a comprehensive procedures manual has been prepared and distributed to ensure consistent application of management standards.

I 2.1.3 Senior Financial Officer — P. 72, 9.69

A Senior Financial Officer has been designated who reports to the Executive Director, Management Services Division. He is responsible for developing and monitoring financial administration systems within the ministry.

I 2.2 Staffing of the Financial Function

I 2.2.1 Position Classifications — P. 73, 9.70

In response to the recommendation of the Auditor General that a review be made of the responsibilities of all financial positions to ensure appropriate classification levels, all position classifications within the Administration Branch are in the process of being reviewed.

I 2.2.2 Training & Professional Development — P. 73, 9.71

To ensure financial personnel have skills commensurate with their responsibilities, a staff training and career development policy has been developed by the ministry. Courses are made available to all financial personnel throughout the ministry. A seminar on the *Financial Administration Act* has been developed and is available to all ministries. The development of the Financial Management Certificate Program is progressing as scheduled, with the first course due to start in December. In addition, the ministry has encouraged staff to participate in the Victoria Chapter of the Financial Management Institute.

I 2.2.3 Financial Function Staff Requirements — P. 73, 9.72

At the time of the position classification review (as noted in I2.2.1), the number and quality of staff was reviewed. A requirement for four additional staff positions has been identified—three professional financial positions and one clerical support position.

I 2.3 Communication & Documentation — P. 73, 9.73

The ministry has completed a well documented manual entitled Central Services Policy & Procedures Manual which outlines policies and procedures applicable to the internal workings of the ministry. Another manual, the Financial Administration Procedures Manual, is currently being developed by the Office of the Comptroller General and will be distributed to all ministries upon completion.

I 2.4 Planning, Budgeting & Budgetary Control — P. 74, 9.74

An annual budgeting and review cycle has been established to improve the ministry's management and control systems. This includes objective setting, priority setting, performance measurement, budgeting techniques and management evaluation.

I STATUS OF FINDINGS FROM PREVIOUS FINANCIAL MANAGEMENT AND CONTROL AUDITS

Section, Subsection	Auditor General's Reference (1981 Report)

I 2.5 Accounting & Financial Reporting Systems

P. 74
9. 75

The ministry produces monthly financial management reports, both from the Comptroller to the managers and from managers to the Comptroller. The reporting system also generates non-financial data which measures efficiency and effectiveness. This report is produced monthly and is reviewed by the ministry's Executive Committee.

I 2.6 Controls Over Expenditures

I 2.6.1 Preparation of Expenditure Vouchers in the Treasury Section

P. 75
9.76

Documentation of sample authorizing signatures has been completed as part of the ministry's implementation of the Treasury Board signing authority policy.

I 2.6.2 Approval of Claims Against the "Contingencies (All Ministries)" Vote

P. 75
9.77

This year the contingency vote was extended to cover program contingencies, as well as salary contingencies. Policies and procedures are in place for salary contingencies of a non-discretionary nature. Treasury Board approval is required for other expenditures from the contingency vote pending policies and procedures approval by Treasury Board.

I 2.6.3 Expenditure Controls in the Securities Section

P. 75
9.78

Segregation of duties:

Duties are clearly divided between purchasing investments and arranging bank transfers.

Cheque voucher approval is now performed by personnel whose duties do not include approving invoices and preparing cheque vouchers.

Cancellation of documents:

Invoices and supporting documents are now cancelled to prevent resubmission in error.

Accounting scrutiny:

Vouchers and supporting information are now subjected to accounting examination before central processing.

Permanent accounting positions:

Temporary accounting positions have been changed to permanent positions to maintain the current level of accounting performance and efficiency.

I 2.7 Controls Over Revenues Including Accounts Receivable

1 2.7.1 Revenue Control & Collection Policies

P. 76
9.79

The recommendation was made that a ministry-wide statement of policies relating to accounting and financial control over revenues be developed. A revenue control policy was developed by the ministry and approved by Treasury Board. Implementation of the policy is currently in progress and is expected to be completed by January 1983.

Section, Subsection	Auditor General's Reference (1981 Report)

I 2.7.2 Treasury Section Cash and Banking Procedures — P. 76, 9.80

In order to improve control over cash handling and recording procedures, an independent check is made daily by the Accounting Manager of the daily cash reconciliations and bank deposits in Treasury Section.

I 2.7.3 Consumer Taxation Branch Cash Handling Procedures — P. 76, 9.81

To provide protection for revenue receipts, a clerk in the Victoria Consumer Taxation Branch now lists and controls receipt of cash and cheques. This clerk will also perform the same duties for Real Property Branch revenues. Vancouver cash and cheques are now listed as soon as they are received and cleared against a copy of the "Receipt-Tax Transmittal Form", received by the Government Agent.

I 2.7.4 Income Taxation Branch Collection & Accounting Procedures — P. 77, 9.82

To improve internal controls within Income Taxation Branch Collection, the duties of cash handling and accounts receivable have been separated.

I 2.7.5 Real Property Taxation Branch Billing & Accounting Systems — P. 77, 9.83

To improve the reliability and capabilities of the Real Property Taxation Branch billing and accounts receivable system, a project was begun to redesign the accounts receivable and assessment systems. Due to restraint measures this project has been postponed. Funds to enable the ministry to continue the project have been requested in the 1983/84 budget.

I 2.8 Control Over Assets

I 2.8.1 Asset Policy Statement — P. 77, 9.84

An asset control policy and procedure statement consistent with Treasury Board financial administration policy on asset control has been drafted. Implementation is planned for the end of 1982.

I 2.8.2 Inventory Count of Securities — P. 77, 9.85

In order to verify the existence of securities it holds for safekeeping, the Securities Section is subject to cyclical counting by investment account throughout the year. Physical counts are independently compared and reconciled to control records. A complete count of securities once a year is neither feasible nor practical.

I 2.8.3 Fixed Asset Inventory — P. 78, 9.86

A fixed asset inventory has been taken by the ministry and is currently being completed and processed. Fixed assets will be subject to verification by periodic physical counts.

I 2.9 Internal Audit

I 2.9.1 Internal Audit Plan — P. 78, 9.87

An Internal Auditor position has been proposed for 1983/84, reporting to the Senior Financial Officer on administrative matters and to the Deputy Minister on audit reports and plans.

Section, Subsection	Auditor General's Reference (1981 Report)

I 2.9.2 Scope of Internal Audit

P. 78 9.88

The ministry's internal audit requirements (apart from the internal audit performed by the OCG) will be assessed and a comprehensive audit plan developed by the internal auditor referred to in I2.9.1.

I 3. MINISTRY OF HUMAN RESOURCES

I 3.1 Organization and Management of the Financial Function

I 3.1.1 Responsibilities of the Comptroller

P. 80 9.90

The financial organization in the ministry has been restructured to ensure that the Comptroller is not overburdened with administrative responsibilities. The Comptroller is one of three financial managers reporting to the Executive Director of Finance.

I 3.1.2 Role of Comptroller

P. 80 9.91

The Comptroller's office is now a financial management section within the Finance Division and the organizational plan for the division clearly delineates direct and functional responsibilities. These responsibilities are communicated throughout the ministry by representation at regular ministry management meetings and by written communications.

I 3.1.3 Defining Procedures

P. 80 9.92

Because the ministry is highly decentralized, the Finance Division managers, of which the Comptroller is one, issue detailed procedural instructions on financial control matters to ensure that line operating staff receive sufficient direction. In addition to written policies and procedures, staff of the Comptroller's office hold training sessions for the line operating staff and attend management meetings as appropriate.

I 3.1.4 Operational Plan

P. 80 9.93

The comments under K2.1 apply.

I 3.1.5 Approval of New Systems

P. 81 9.94

The addition of qualified staff in the Comptroller's office has allowed the ministry to complete the development of procedures requiring responsibility areas to formally 'sign-off' new systems and procedures. Managers now also are actively involved in developing new systems which will affect them.

I 3.1.6 On-Line Computer Systems

P. 81 9.95

The comments under K6.2 and K6.3 apply.

I 3.1.7 Financial Control Criteria

P. 81 9.96

The Financial Systems section of the Finance Division is responsible for establishing financial control criteria against which development and operation of financial systems can be assessed. Effective controls are now in place, incorporated in systems being developed. Standards will be formally documented in a project administration manual.

Section, Subsection	Auditor General's Reference (1981 Report)

I 3.1.8 Accounting Controls—Income Assistance Plan — P. 82, 9.97

A review of proposed enhancements to the Income Assistance computer system has been completed and appropriate action taken by the ministry. This has resulted in the establishment of a project to update and improve controls in the system.

I 3.1.9 Staffing — P. 82, 9.98

The comments under K2.1 apply.

I 3.1.10 Accounting Manual — P. 82, 9.99

As stated in I3.1.7, an accounting manual has been issued and the organization exists to ensure the manual is continually updated and expanded as required.

I 3.1.11 Control of New Projects — P. 82, 9.100

To ensure adequate control of new procedures and documentation of projects the Finance Division now prepares comprehensive terms of reference for each project.

I 3.2 Planning, Budgeting and Budgetary Control

I 3.2.1 Strategic and Long-Term Plans — P. 83, 9.101

The ministry formed the Strategic Planning Branch to provide guidance and technical support in the development of strategic and long-term plans.

I 3.2.2 Budget Estimates — P. 83, 9.102

The budget process for the 1982/83 budget has been changed to incorporate a review of objectives, priorities and alternatives for existing programs.

I 3.2.3 Guidance for Budget Preparation — P. 83, 9.103

A manual is provided detailing the budget process, and a formal review of the budget process is conducted annually. Accounting staff are available to provide specific guidance in budget preparation although managers have flexibility in determining who, in their areas of responsibility, should be involved in providing input to their budgets.

I 3.2.4 Translating the Annual Estimates — P. 83, 9.104

To enable line managers to translate operational work plans into annual estimates in a more effective manner, the ministry proposes to review the budgeting process and prepare its 1983/84 budget in a more efficient and effective way.

I 3.2.5 Monitoring the Budget — P. 83, 9.105

During the year the ministry initiated a pilot project to assess the value of having a regional accountant who would be responsible for the preparation of variance analyses. It was found that variance analysis, on a regional basis, was not meaningful. If a large variance from the budget comes to the attention of one regional manager, it is reviewed on a province-wide basis and dealt with through the management structure of the ministry.

Section, Subsection	Auditor General's Reference (1981 Report)

I 3.2.6 Budget Manual — P. 84, 9.106

The comments under I3.2.3 apply.

I 3.3 Accounting and Financial Reporting Systems

I 3.3.1 Financial Reporting Requirements — P. 84, 9.107

The ministry has initiated a project for developing a management information system which will provide accurate and timely financial information. This system will complement the reports made available by the Office of the Comptroller General.

I 3.3.2 Cost-Benefit Analysis — P. 84, 9.108

Treasury Board policy has been developed concerning cost-benefit analysis for all major accounting and operating systems. This policy is followed by the ministry.

I 3.3.3 Batch Control Procedures — P. 84, 9.109

As mentioned in I3.3.1, a new management information system is being developed which will provide timely and accurate financial information. A feature in this system will be the development of an effective batch control process.

I 3.3.4 Contingency Plans — P. 84, 9.110

The prevention of interruptions in electronic data processing and cheque distribution is largely dependent upon the security and back-up procedures developed by British Columbia Systems Corporation. The ministry will be reviewing contingency plans in the future.

I 3.4 Financial Control of Revenue and Expenditure

I 3.4.1 Segregation of Duties — P. 85, 9.111

Where practical, duties are segregated in the authorization of input to computerized systems, preparation of cheque vouchers and handling of returned cheques or rejected vouchers. However, where this is not practical, other measures exist to ensure proper control of revenue and expenditures.

I 3.4.2 Payroll Procedures — P. 85, 9.112

The ministry agrees that payroll procedures should be standardized between Victoria and Vancouver and that a payroll manual should be produced. This is not considered a high priority item in a time of restraint. New procedures will be standardized as they are developed and a manual will be produced.

I 3.4.3 Policy & Procedures for Accounts Receivable — P. 85, 9.113

The comments under K4.1 apply.

I 3.4.4 Control Over Cash Receipts — P. 85, 9.114

To improve the ministry's control over cash receipts, all cheques are now restrictively endorsed when received. Cash controls will be enhanced as the accounts receivable system is developed.

Section, Subsection	Auditor General's Reference (1981 Report)

I 3.4.5 Documentation of Procedures — P. 85, 9.115

The ministry has documented procedures for monitoring accounts processing and will continue to review and update these procedures.

I 3.5 Accounting Controls Over Assets — P. 85, 9.116

Development of a fixed asset inventory control system is currently underway. An inventory control system is in place in both major institutions (Woodlands and Tranquille) for consumable assets.

I 4 MINISTRY OF LANDS, PARKS & HOUSING

I 4.1 Organization of the Financial Function

I 4.1.1 Role of the Executive Financial Officer — P. 86, 9.125

Consistent with the ministry's reorganization in 1981, the Executive Financial Officer's role was spelled out clearly in a ministry-wide communication issued at the time. In addition, this role has been confirmed in the recently published ministry organization manual. As recommended, this role encompasses all matters relating to financial management and control.

P. 86, 9.126

To ensure an appropriate reporting relationship, the Executive Financial Officer now reports directly to the Deputy Minister.

P. 86, 9.127

A review of the Executive Financial Officer's non-financial responsibilities was made and the ministry is satisfied that the Executive Financial Officer's range of responsibilities does not jeopardize or detract from his mandate for effective financial management and control. The ministry has also appointed a Senior Financial Officer whose responsibilities include only minimal central service responsibilities in addition to his financial role.

I 4.1.2 Development of a Comprehensive Plan — P. 87, 9.128

In response to the recommendation of the Auditor General, a comprehensive financial improvement plan has been developed by ministry financial staff and endorsed by the ministry's Executive Council. The plan covers all areas of financial management and control. Within the context of the approved plan, activities are now under way to accomplish these objectives. Availability of resources will affect the time required to attain these goals in full.

I 4.1.3 Staffing of the Central Financial Group — P. 87, 9.129

The organization of the Central Financial Group has been reviewed. Additional staff, with requisite professional skills, were recruited where necessary. As the comprehensive financial improvement plan, noted in I4.1.2, is implemented, requirements for additional resources will be evaluated.

I 4.1.4 Functional Relationships — P. 87, 9.130

The recently documented ministry reorganization stressed the relationship between the Central Financial Group and other financial officers in the ministry. Conferences have been held with ministry financial officers and senior line managers to clarify roles between central financial staff and counterpart positions elsewhere in the organization. Functional relationships are continually emphasized in day-to-day finance and administration staff dealings with field financial personnel.

Section, Subsection	Auditor General's Reference (1981 Report)

I 4.1.5 Non-Financial Functions of Financial Officers — P. 87, 9.131

Following a review of the responsibilities assigned to financial officers in the ministry, job descriptions were prepared which emphasize heavily the financial management responsibility.

I 4.1.6 Staff Resources — P. 87, 9.132

To ensure an adequate number of skilled people in the finance area, a review was made by the ministry of all staff resources. As a result, every significant responsibility centre in the ministry now has a full time Manager of Finance and Administration attached to its unit.

I 4.1.7 Staff Training — P. 88, 9.133

Following extensive analysis of training needs for the ministry's financial officers, a comprehensive training plan was prepared and implemented. This plan responds to the technical, administrative and supervisory requirements of all ministry financial officers. In addition, the ministry anticipates participation in the specialized financial management training program, now being developed by the Office of the Comptroller General, for government financial officers.

I 4.1.8 Documentation & Communication of Financial Functions — P. 88, 9.134

The task of documenting and communicating financial responsibilities, policies, procedures and systems throughout the ministry has begun. The ministry now has an approved financial signing authorities policy. Other policies are being developed on the basis of priority and risk. A section in Finance and Administration Branch is being developed to concentrate efforts in this area.

I 4.2 Planning, Budgeting and Budgetary Control

I 4.2.1 Strategic and Long-Term Plans — P. 88, 9.135

The ministry now prepares annual strategic plans for each program, establishing program requirements for a three-year period. Alternative strategies are considered in the preparation of strategic plans and in the regular review made of each program.

I 4.2.2 Estimates Procedures — P. 88, 9.136

Based on strategic and long-term plans, the ministry executive prepares specific directives which establish priorities for the budget year, for each program. The budget submissions identify program outputs and measurable objectives.

P. 89, 9.137

All programs are costed for presentation at the ministry's annual priority setting and budget ranking sessions.

I 4.2.3 Operating Budgets — P. 89, 9.138

Through the annual estimates development process and the ministry's quarterly review of program and financial performance, attention is now being given to both financial planning and control.

Operating budgets are prepared by each branch and reviewed in relation to expenditure standards as well as previous years' actual expenditures.

Section, Subsection	Auditor General's Reference (1981 Report)

I 4.2.4 Variance Analysis — P. 89, 9.139

The ministry now has a well established quarterly review of all ministry program and financial operations. This executive review has been enhanced by revisions made to the ministry's expenditure and commitment control system and by the introduction of a new management information reporting system.

Program outputs and financial performance are monitored monthly by each branch, and quarterly by the executive, against planned outputs and performance.

I 4.3 Accounting & Financial Reporting Systems

I 4.3.1 Review of Systems — P. 89, 9.140

The Auditor General recommended a review of all accounting and financial systems in the ministry to determine the appropriateness and quality of information being produced. In response to this recommendation, the ministry instituted a major Financial Systems Architecture report. The report has recently been completed and is under review. Depending on the extent to which the ministry can support the recommendations, and obtain needed resources, major developments could be undertaken in 1983/84 with respect to financial systems relating to land and housing programs.

I 4.3.2 Management Information System — P. 90, 9.141

As mentioned in I4.3.1 the financial systems in the ministry may be undergoing a major change. A complete and reliable financial information system will be a major benefit. Until the system is in place, the ministry has adopted standard practices for recording expenditures and commitments, and for consolidating all financial reporting practices throughout the ministry.

I 4.3.3 Approval of New Systems — P. 90, 9.142

A policy has been stated, by executive order, that no financial system can be developed without the express approval of the Executive Financial Officer and the ministry's executive committee. The policy also ensures that new systems or modifications are supported by cost-benefit analyses.

I 4.3.4 Existing Reporting Systems — P. 90, 9.143

The Central Financial Group is currently reviewing reporting systems to eliminate duplication and ensure consistent, complete and accurate information.

Significant improvements are being made to the reporting systems for Crown Land Fund projects, so they will be capable of reconciliation with other pertinent management reports.

I 4.4 Financial Control of Expenditure and Revenue

I 4.4.1 Development of an Accounting Manual — P. 90, 9.144

A complete procedures manual and reference guide has been published as part of the training program for the ministry's managers of finance and administration.

Section, Subsection	Auditor General's Reference (1981 Report)

I 4.4.2 Staff Training Review

P. 91
9.145

The 1981 *Report* recommended establishment of a training program for financial staff and regular visits to field offices, to resolve problems and monitor adherence to policies and procedures. As mentioned in I4.1.7, a training program has been implemented. In regard to field visits, regular conferences and meetings are held with financial personnel on specific topics as and when required. Restraints on travel and related expenditures have curtailed the expected frequency of these visits.

I 4.4.3 Auxiliary Staff

P. 91
9.146

The review of internal controls over hiring and paying auxiliary staff has been incorporated within the approved financial improvement plan, but has not yet been completed. Alternative procedures are being explored with a view to implementing cost-effective controls over hiring and paying auxiliary staff.

I 4.4.4 Financial Signing Authorities

P. 91
9.147

The ministry now has an approved financial signing authorities policy in place.

I 4.4.5 Parks Revenue—Internal Control

P. 91
9.148

The ministry is now satisfied that improvements made over the past year to revenue collection procedures incorporate adequate internal controls. A manual exists which documents policies, responsibilities and procedures.

I 4.4.6 Responsibility for Monitoring Revenue

P. 91
9.149

The Auditor General suggested the ministry consider transferring ongoing responsibility for monitoring parks revenue to regional offices, supplemented centrally by regular analytical review and annual internal audit work.

The decision has been made to retain a centralized monitoring function. Internal audit coverage will form part of the ongoing discussions with the Internal Audit Division of the Office of the Comptroller General. Stronger analytical review has been carried out since the end of the 1982 camping season.

I 4.4.7 Land Lease Revenue System

P. 91
9.150

The ministry reviewed the land lease revenue system to ensure that the system incorporated adequate internal controls.

The system was revised during the year and now incorporates adequate internal control. These revisions were intended solely as short-term improvements. The ministry plans to undertake a major financial systems redevelopment project relating to all lands and housing programs. This will be a 2-year project and will address, not only the items noted by the Auditor General, but all other significant financial control issues in these program areas.

I 4.4.8 Land Sales and Receivables Accounting System

P. 92
9.151

The comments under I4.4.7 apply.

Section, Subsection	Auditor General's Reference (1981 Report)

I 4.4.9 Responsibilities for Land Leases and Sales — P. 92, 9.152

The comments under I4.4.7 apply.

I 4.4.10 Reliable Processing of Data — P. 92, 9.153

The comments under I4.4.7 apply.

I 4.5 Asset Controls

I 4.5.1 Asset Control Policy — P. 92, 9.154

The need to develop an enhanced asset control policy to ensure an effective and efficient asset control system has been recognized in the financial improvement plan. The ability to develop it will depend on resources and other priorities.

I 4.5.2 Responsibility for Asset Control Systems — P. 92, 9.155

The responsibility has been assigned to the Central Financial Group, as recommended by the Auditor General.

I 4.6 Crown Land Fund

I 4.6.1 Accounting Responsibility — P. 93, 9.156

A major project to establish responsibilities for recording, monitoring, and controlling transactions in the Crown Land Fund has been started by the ministry in response to concerns expressed by the Auditor General.
As a result of efforts undertaken to date, the ministry is about to implement major revisions to Crown Land Fund accounting policies, procedures and reports which will substantially resolve the issues raised.

I 4.6.2 Reconciliation of Account Balances — P. 93, 9.157

The account balances for existing and old projects have been reconciled and the ministry is satisfied that account balances are correctly stated.

I 4.6.3 Reporting System — P. 93, 9.158

The comments under I4.6.1 apply.

I 4.7 British Columbia Housing Management Commission (BCHMC)

I 4.7.1 Monitoring Responsibilities and Reporting Requirements — P. 93, 9.159

The ministry has now concluded a formal operating agreement with BCHMC concerning all matters of responsibility and accountability in both program and financial management.

I 4.7.2 Written Agreement With BCHMC — P. 93, 9.160

The comments under I4.7.1 apply.

Section, Subsection	Auditor General's Reference (1981 Report)

I 4.7.3 Adequacy of Accounting Controls

P. 94
9.161

The comments under I4.7.1 apply.

The ministry is reviewing its functional relationships in the entire financial area relating to BCHMC.

I 4.7.4 BCHMC Program Audits

P. 94
9.162

The ministry is now taking an active role in establishing terms of reference for the external auditors of BCHMC. As suggested by the Auditor General, the auditors will be requested to review issues of compliance with program policy.

I 4.8 Internal Audit

P. 94
9.163

A review was made of the internal audit needs of the ministry and conclusions and recommendations were conveyed to the Office of the Comptroller General for assessment by the Internal Audit Division.

The ministry has now received an outline of initiatives by the Office of the Comptroller General in respect to the ministry's audit plan. Continuing discussions are being held with the Office of the Comptroller General respecting the adequacy of resources being applied to the ministry's needs.

Section, Subsection	Auditor General's Reference (1981 Report)

J COMPREHENSIVE AUDIT—MINISTRY OF ENVIRONMENT

J 1. Program Management & Accountability Information

J 1.1 Statement of Goals & Objectives

P. 143
9.70

The ministry is currently revising a statement of goals and objectives as an aid in measuring performance.

J 1.2 Functional Guidance and Direction

P. 143
9.71

Guidance and direction will be provided to program directors, to assist them in developing performance measurement systems, through a training program beginning October 1982.

J 1.3 Financial & Performance Reports to Legislative Assembly

P. 143
9.78

The ministry now reports to the Legislative Assembly in such a manner that program expenditures can be compared with objectives and performance.

P. 143
9.79

Performance information is being developed in enough quantity and detail to indicate the extent to which programs were delivered.

J 1.4 Definition of Responsibilities

P. 143
9.84

Jurisdictional problems between the Ministry of Health and the Waste Management Program have been resolved and appropriate regulations passed. Procedures are being drafted which will clarify roles between waste management staff and conservation officers. The ministry is reviewing its agreement with the Ministry of Energy, Mines & Petroleum Resources regarding inspection of tailings dams. The responsibility for establishing water quality objectives has been assigned to the Water Management Branch. The remaining jurisdictional matters between the ministry and various agencies are under review.

J 1.5 Review of Water Quality Monitoring Stations

P. 143
9.101

Through the strategic planning process which the ministry has initiated within each region of the province, the Waste Management Branch will undertake monitoring for water quality. In addition, a ministerial task force has been established to develop water quality criteria to be used as reference points in determining water quality and uses for various planning purposes. Agreement has been worked out with other agencies of the ministry regarding budget and operational responsibilities concerning water quality monitoring.

J 1.6 Reporting Procedures of Monitoring Water Quality

P. 144
9.102

Quality criteria for water uses will be developed through a wide spectrum of ministry involvement. Strategic planning will identify most stringent water uses and the most stringent water quality criteria for a given watershed. When these criteria are established, the results of the measured concentrations can be reported against acceptable base lines. Waste Management Branch has initiated review of information to update its 1977 study of environmental quality trends.

J 1.7 Ranking Mechanisms for Dischargers

P. 144
9.112

A ranking system has been developed and is being tested to allow assignment of priorities for determining performance.

Section, Subsection	Auditor General's Reference (1981 Report)

J 1.8 Measurement & Reporting Procedures for the Waste Management Program

P. 144 9.113

The program evaluation group is now staffed and is working to establish procedures for measuring the effectiveness of the program. Short-term effectiveness may be measured through annual achievements tied to budget expenditures. Longer term effectiveness is measured by environment quality trends.

J 2 Controls in the Waste Management Program

J 2.1 Development of Program Policies & Procedures

P. 144 9.125

This recommendation is being dealt with by the ministry.

J 2.2 Improving Managerial & Supervisory Skills

P. 144 9.126

The ministry is developing a formal staff training plan for 1983/84.

J 2.3 Identification & Collection of Information

P. 144 9.135

The ministry Information Systems Committee is continuing to work on this subject. Program staff and other elements of the ministry will determine, through strategic planning and special studies, various environmental areas that will require attention in the short and long term. The area of special waste handling, treatment, storage and disposal has already been identified and is reflected in new legislation. Program activities in waste recovery and utilization have already been reflected by establishing the Resource Recovery Section of the program.

An area of potential long-term study is storm water controls in certain areas of the province. These are now being examined in some critical regions.

Financial constraints are a major element in the progress that can be made on activities which are not legislated functions, but which may bear heavily on alternatives to waste disposal, e.g. waste utilization and packaging controls.

J 2.4 Development of a Formal Waste Management Plan

P. 144 9.136

Efforts by the ministry in strategic planning are continuing, and are expected to substantially guide the program in its short and long-term planning.

J 2.5 Maintaining a Discharger Inventory

P. 145 9.142

The *Waste Management Act* now provides for cancellation of inactive permits and allows the ministry to classify operations and exempt them, in whole or in part, from the requirements of the Act. The ministry has commenced development of regulations which may be used to control minor types of operations without the use of permits.

Permit reviews are intended to be undertaken on a five-year basis. Examination of individual operations will be undertaken as part of this activity to identify discharges that may have been added.

A mechanism will be developed to provide for the reporting of unauthorized discharges.

Section, Subsection	Auditor General's Reference (1981 Report)

J 2.6 Assessing the Grounds for Deferment of Negotiated Abatement Agreements — P. 145, 9.156

A variety of approaches is being considered to assess the grounds for deferment of negotiated abatement agreements:

—presentations by permittees on their economic position;

—examination of permittee accounts by economists;

—review of economic indicators and market conditions for industrial sectors;

—consultation with bankers and other creditors; and,

—evaluation of environmental conditions relative to the effects of specific operations.

J 2.7 Establishment of a Permit Quality Review Function — P. 145, 9.157

Program auditing staff have now been appointed whose responsibility is to audit the performance of all activities within the program.

J 2.8 Review of Current Permits — P. 145, 9.158

A classification mechanism is being introduced in the Waste Management Program which will allow the review of permits to be undertaken on the basis of significance and need.

J 2.9 Identification of Overdue & Missing Discharger Reports — P. 145, 9.167

A mechanism for priorizing discharges and for regular surveillance is now being undertaken. This will include identification of overdue and missing reports.

J 2.10 Policy & Procedures for Data Submission — P. 145, 9.168

A task force has been established to review program information needs and improvements necessary to the EQUIS System. This will include a review of discharge information that should be included in the system.

J 2.11 Policy & Reporting Procedures for Inspections — P. 145, 9.173

It is anticipated that most discharges will be categorized into groups, each of which will have a specified frequency for inspection. Extent of inspections will be normally dependent upon requirements of individual permits.

J 2.12 Procedures for Non-Compliance With Permit Conditions — P. 145, 9.182

Regional staff will be required to report on non-compliance in general on a regular basis using a system which indicates its significance. Policies and procedures are being developed to improve compliance actions. Use of ticketing provisions for fines under the *Offence Act* is being investigated for minor non-compliance situations.

J 2.13 Policy & Procedures for Staff Guidance in Responses to Non- Compliance — P. 146, 9.188

The ministry is now implementing initial policies and procedures to improve compliance levels and will continue to review its actions in this area.

Section, Subsection	Auditor General's Reference (1981 Report)

J 3. Financial Management & Control

J 3.1 Policy on the Role of Financial Management

P. 146 9.202

The ministry will adopt the Treasury Board policy as detailed in Chapter 3 of the Treasury Board Financial Administration Policy Manual. The Treasury Board policy will be amplified to meet ministry requirements. A new position, designated as Manager, Policy, Systems and Procedures has been assigned responsibility for implementation of the Treasury Board policy and the development and implementation of ministry financial management policy.

J 3.2 Assessing the Number & Quality of Staff

P. 146 9.203

A new organization chart has been approved for the Financial Services Branch which reflects four new managerial level positions with appropriate skills. These new positions are: Manager, Budget and Reports; Manager, Revenue; Manager, Policy, Systems and Procedures and Manager, Internal Audit. Another new position designated Manager, Accounting Operations, replaces the position designated Assistant Director, Financial Services and gives recognition to the new positions established and the increased complexities of the accounting operations.

The regional Managers of Administration are undergoing intensive training to increase their skill in financial management. Branch requirements for financial management personnel are being reviewed to determine numbers and skills available in relation to the anticipated need for increasing responsibilities.

J 3.3 Training Requirements of Financial Staff

P. 146 9.204

The increased numbers and skills available to the Financial Services Branch, as a result of reorganization, should add greatly to training capabilities. The ministry's Staff Development Section has received additional funding and staff. Training programs in financial management should benefit accordingly.

A Financial Management Certificate Program for government employees is being implemented by the Comptroller General. A special course in Government Financial Management and Control is being designed for in-service use.

J 3.4 Documentation of Accounting Systems & Procedures

P. 146 9.205

The accounting procedures manual was distributed in February 1982. The documentation of existing systems and procedures is almost complete. The assessment of existing controls against requirements is now the responsibility of two new positions with the Financial Services Branch: Manager, Policies, Systems and Procedures, and Manager, Revenue.

J 3.5 Integration of Planning & Budgeting Processes

P. 146 9.210

The ministry has defined its planning processes and is establishing responsibilities. It is anticipated that the ministry will implement the Treasury Board policies on financial planning and ministry financial officers will be full participants in the planning process. Annual budget submissions will relate closely to the ministry's multi-year operational plans.

Section, Subsection	Auditor General's Reference (1981 Report)

J 3.6 Quality of Budget Submissions

P. 146
9.211

The ministry's Budget and Reports Section has been strengthened by obtaining management status for the head of the Section, and by the designation of a Budget Officer and a Reports Officer in place of a clerical position that had responsibilities in both areas. These changes should allow a more critical review of budget submissions and more intensive training and guidance for staff involved in the budget preparation process. In addition, a ministry Budget Policy and Procedures Manual is scheduled for completion in February 1983.

J 3.7 Senior Financial Officer Involvement in the Development of Budgetary & Financial Systems

P. 147
9.212

Assistant Deputy Ministers, Directors, Managers of Administration and Office Managers have been advised by the Executive Financial Officer that no financially oriented system, procedure or form should be implemented without previous approval of the ministry's Senior Financial Officer. This policy will be reflected in the ministry's Policy and Procedures Manual.

J 3.8 Development of Accounting Systems for Allocation of Support Costs

P. 147
9.216

The ministry has formed a Quality Review Board which includes the Executive Financial Officer and Senior Financial Officer, to review accounting system requirements and development.

J 3.9 Development of Consistent & Supportable Methods for Pro-Rating Support Costs

P. 147
9.217

The Quality Review Board will give consideration to further direct allocation of support costs or indirect distributions.

J 3.10 Controls Over Revenue Collection

P. 147
9.219

The specific accountabilities for the new position of Manager, Revenue, include responsibility for proper internal controls over all systems and procedures for the receipt and deposit of public money within the ministry, training ministry personnel in revenue and claims and credit processes, and coordinating the production and distribution of timely and informative reports. Control accounts will be introduced as new accounting systems for financial systems are developed under the direction of the ministry's Quality Review Board.

J 3.11 Financial Signing Authorities

P. 147
9.220

The ministry's financial signing authorities matrix and delegation instruments have been approved by the Office of the Comptroller General and copies of the approved signatures have been lodged with the Disbursement Control Branch of the Office of the Comptroller General.

J 3.12 Controls Over Payroll Systems

P. 147
9.221

The ministry Benefits System Study has confirmed that adequate control exists over the delivery of those employee benefits received as money, but weak control exists over employee benefits received as time-off. A proposed system to correct the deficiencies and a recommendation for its implementation has been approved by the Deputy Minister. The proposed system requires supervisors to account for all employee absences through a weekly time report. Leave Recording Clerks are assigned responsibility for data entry only.

Section, Subsection	Auditor General's Reference (1981 Report)

J 3.13 Pay Cheque Distribution Test — P. 147, 9.222

Arrangements will be made for the distribution of pay cheques on a "surprise" basis at the Financial Services Branch office and in the Branch-Regional offices.

J 3.14 Policies & Procedures for the Acquisition & Control of Assets — P. 148, 9.223

The ministry has formed a Quality Review Board, which includes the Executive Financial Officer and the Senior Financial Officer, to review accounting systems requirements. The Financial Services Branch has been reorganized and a new position created, that of Manager, Policy, Systems and Procedures. An asset control system is a high priority of the Quality Review Board and policies and procedures related to it will be finalized and implemented on a priority basis.

J 3.15 Review of Outstanding Advances — P. 148, 9.224

A redistribution of responsibilities within the Financial Services Branch will allow the staff member responsible for recoverable cash advances additional time for review and control.

J 3.16 Commitment Accounting System — P. 148, 9.225

The ministry's commitment accounting system is in place except for Water Management and General Administration Programs. Staff will be designated shortly within these programs to complete this initiative.

J 3.17 Assessment of Internal Audit Requirements — P. 148, 9.230

The ministry is currently reviewing and has substantially identified its requirements for internal audit. A position designated Manager, Internal Audit has been identified. An accountability of this position will be the development of an organization and a financial audit plan that is capable of meeting the ministry's requirements. Still to be determined is the extent to which the ministry's requirements will be met by the Internal Audit Master Plan of the Office of the Comptroller General. The Manager, Internal Audit will liaise with the Office of the Comptroller General to ensure effective coordination as required by the Treasury Board Policy on Internal Audit.

The ministry is also waiting for the results of a special study on internal audit by the Auditor General.

J 3. 18 Reporting Relationship of Internal Audit — P. 148, 9.231

The proposal for establishing an audit committee is under review by the ministry. Effective October 1, 1982, internal auditors report to the Executive Financial Officer rather than the Senior Financial Officer.

J 4. Manpower Planning

J 4.1 Basis for Human Resource Planning — P. 148, 9.244

Strategic and operational plans will include human resource planning.

J 4.2 Policy on Responsibility of Manpower Planning — P. 149, 9.245

A ministry task force in human resource planning will develop a policy identifying roles and responsibilities in the human resource planning process to build on existing policies in this area.

Section, Subsection	Auditor General's Reference (1981 Report)

J 4.3 Training & Guidance to Managers

P. 149
9.250

A competency-based training program in human resource planning for ministry managers will be developed as a component of the human resource planning policy referred to in J4.2.

J 4.4 Obtaining Maximum Benefit From the Current Training Program

P. 149
9.259

Regions and programs select and design training programs in collaboration with a training professional as required.

Supervisors are required by ministry policy to monitor and evaluate the effectiveness of employee attendance at staff development activities and to provide opportunities for practice of newly-acquired knowledge and skills.

Section, Subsection	Auditor General's Reference (1981 Report)

K STATUS OF FINDINGS FROM PREVIOUS COMPREHENSIVE AUDITS—MINISTRY OF HUMAN RESOURCES

K 1. Reporting of Performance & Accountability Information

K 1.1 Improving Management Control

P. 150
8.113

The ministry has hired a director for the Strategic Planning Branch, which includes the Research Division, the Program Evaluation Section and the Federal-Provincial Agreements Section. The issues identified will be dealt with by the branch.

K 1.2 Reporting Performance Information

P. 150
8.114

The 1981 Annual Report format has been changed to present additional information on ministry programs. The reporting format will be reviewed annually to improve the quality of information provided.

K 2. Financial Management and Control

K 2.1 Organization and Management

P. 150
8.132

Staffing: The ministry completed a review of the number and level of personnel in the Finance Division. This led to the hiring of several people qualified in the accounting policy, procedures and computerized financial systems areas. The ministry's Finance Division is now adequately staffed to carry out its responsibilities effectively.

Operational Plan: A comprehensive operational plan is currently being prepared. The goals and objectives have been identified and approved by the Executive. Detailing of the activities, timing and performance criteria is underway, with a report expected early in 1983.

K 2.2 Organization and Management—Comptroller's Office

P. 151
8.133

Organization: The comments under I3.1.2 apply.

Management: A Strategic Planning Branch has been formed to direct development of strategic and long-term plans.

The budgeting process is now well established; see I3.2.3.

The reporting system is under development; see I3.3.1.

Revenue & Expenditures: The comments under I3.4 apply.

Control of New Systems: The comments under K6.2 apply.

K 3. Controls in the Income Assistance System

K 3.1 Improvements in the Supervisory Function

P. 152
8.153

A job content and training profile for district supervisors was completed and is currently under review by the ministry's Executive Committee. A three-week training program has been developed for district supervisors and the first session is underway. A further two-week training program is in the development stage and should be available by February 1983.

Section, Subsection	Auditor General's Reference (1981 Report)

K 3.2 Staff Training Programs — P. 152, 8.166

An analysis of each major field services job in the ministry has been completed and is currently under review by the Executive Committee. A task force was established to revise the staff training portion of the management reports and its recommendations were incorporated into the report under review.

K 3.3 Accounting and Internal Controls — P. 152, 8.172

The ministry is improving accounting and internal control at the district office level by having staff methodically review current accounting and office practices under direction of a staff member of the Finance Division. An accounting procedures manual has been prepared and distributed. Improvement of accounting and internal control will be an ongoing process within the ministry.

K 3.4 Physical Security Over Documents — P. 153, 8.173

A security analyst has been hired to be responsible for file security in EDP systems.

K 3.5 Quality Control — P. 153, 8.176

In an attempt to provide managers with reliable, current information on efficiency and accuracy in claimant files processing, the newly-formed Strategic Planning Branch plans to develop performance measurement indicators and criteria in the coming year.

K 3.6 Inspection Group — P. 153, 8.181

The ministry is attempting to provide staff with some guidance in identifying cases which they should refer to the inspection group.

K 4. Identified Overpayment and Errors—Control & Collection

K 4.1 Overpayments — P. 153, 8.196

The ministry is now looking into the issue of overpayments in the review of revenue controls. An accounts receivable system will be established as part of the financial information system and responsibility and procedures to deal with overpayments will be established.

K 4.2 Overpayments and Collections — P. 153, 8.197

The comments under K4.1 apply.

K 5. Cost-Sharing — P. 154, 8.210

To ensure that the ministry maximizes benefits from cost-sharing agreements, cost-sharing guidelines have been circulated to all ministries and inter-ministry communication has been established. All programs have been reviewed to ensure that the cost-shared percentage is maximized. The Canada Assistance Plan section is now adequately staffed and temporary assistance is used, when required, for major cost-sharing analysis projects.

K 6. Electronic Data Processing

K 6.1 Controls in the On-Line Version II — P. 154, 8.231

The ministry has completed a formal review of the system and concluded that a project to correct its deficiencies is necessary. This project is the number one ministry priority.

Section, Subsection	Auditor General's Reference (1981 Report)

K 6.2 Future Development Projects — P. 154, 8.232

The ministry has reorganized the data processing area and filled several new managerial positions. A ministry systems committee and a systems steering committee provide overall direction in the development of new systems. A system change control project is underway which will result in a project administration manual.

K 6.3 Systems Development Standards — P. 155, 8.233

As noted in K6.2, a project is underway to prepare a project administration manual. A section of this manual will address the issue of systems development standards, which will closely follow the B.C. Systems Corporation Systems Development Notebook for project management. This methodology is now used by the ministry.

K 7. Internal Audit

K 7.1 Managerial Control — P. 155, 8.247

To ensure that internal audit plays an effective part in the managerial control system, its role has been expanded to appraise independently the financial function as well as management and operations.

K 7.2 Reporting Lines — P. 155, 8.248

The Internal Audit Group now reports directly to the Deputy Minister to ensure independence and adequate, direct communication regarding audit assignments and reports. The group reports to the Executive Director of Finance on administrative issues.

K 7.3 Audit Committee — P. 155, 8.249

An audit committee was established and has completed a comprehensive review of the audit mandate, plans and required services.

K 7.4 Audit Plan — P. 156, 8.250

A long-term plan has been prepared and approved by the ministry's audit committee which divides the ministry into audit units, schedules the audit of each unit, establishes the criteria for assessing potential audits, states audit objectives and scope, and states staff training and recruiting objectives.

K 7.5 Staff Resources — P. 156, 8.251

The ministry has completed the hiring of additional staff in the internal audit group. The group now has an adequate selection of qualified staff with extensive knowledge and experience in systems-based and related audit techniques.

K 7.6 Systems-Based Audits — P. 156, 8.252

The comments under K7.5 apply.

L. PROGRESS INDEX

Issue	Auditor General 1981 Report Reference Paragraph	Page	Status
STATUS OF GENERAL FINDINGS IN PREVIOUS REPORTS OF THE AUDITOR GENERAL			
F1 General—Submission of financial statements by September 30		**21**	Resolved.
F2 Legislation—Financial Administration Act proclamation		**21**	Resolved.
F3 Financial Statements			
F3.1 Accounting policies & Statement presentation		**21**	Resolved.
F3.2 Consistency with stated policies		**21**	Resolved.
F3.3 Suspense accounts—reconciliation and clearance		**22**	Resolved.
F3.4 Securities		**22**	Resolved.
F3.5 Loan agreement terms		**22**	Resolved.
F3.6 Fixed asset accounting policy		**22**	Resolved.
F3.7 Special Purpose Funds		**22**	Action being taken.
F3.8 Marketable securities		**22**	Resolved.
F3.9 Accuracy of asset balances		**22**	Resolved.
F3.10 Verification of income taxes payable		**23**	Limitation set by Federal Government.
F3.11 Long Term Disability Fund—Public Service		**23**	Resolved.
F3.12 Trust accounts		**23**	Resolved.
F3.13 Write-offs		**23**	Resolved.
F3.14 Guaranteed debt		**23**	Resolved.
F4 Internal Control Systems		**23**	See Section E.
F5 Ministries			
F5.1 *Ministry of Agriculture*—monitoring of payments		**24**	Recommendation implemented to extent possible with available staff.
F5.2 *Ministry of Attorney General*			
F5.2.1 Trust Accounts inventory procedures		**25**	Recommendation implemented to extent possible with available staff.
F5.2.2 Fee collection accounting system		**25**	Resolved.
F5.2.3 Purchase commitment and payment approval		**25**	Resolved.
F5.3 *Ministry of Consumer & Corporate Affairs*—Internal audit coverage of LDB		**25**	Action being taken.
F5.4 *Ministry of Energy, Mines & Petroleum Resources*—Procedures for handling bids		**26**	Resolved.
F5.5 *Ministry of Finance*			
F5.5.1 Securities Section—financial controls		**26**	Resolved.
F5.5.2 Central Accounting and Securities Section systems		**26**	Resolved.
F5.6 *Ministry of Health*			
F5.6.1 Expenditure control weaknesses		**26**	Action being taken.
F5.6.2 Revenue controls		**26**	Action being taken.
F5.6.3 Patient trust accounts		**26**	Resolved.
F5.6.4 Control accounts		**26**	Resolved.
F5.6.5 Hospital Insurance Fund		**27**	Awaiting Legislative approval.

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Issue			Auditor General 1981 Report Reference Paragraph	Page	Status
	F5.6.6	Emergency Health Services Commission —Reporting practices —Financial controls		27	Awaiting legislative approval. Action being taken.
	F5.6.7	Patient maintenance accounts		27	Partially resolved—action being taken on outstanding issues.
F5.7	*Ministry of Human Resources*—Canada Assistance Plan claims			28	Resolved.
F5.8	*Ministry of Lands, Parks & Housing*				
	F5.8.1	Housing Fund cost records		28	Resolved.
	F5.8.2	Housing Grants Programs reporting requirements		28	Resolved.
F5.9	*Ministry of Provincial Secretary*				
	F5.9.1	Certification of Queen's Printer statement of accounts		28	Not Resolved.
	F5.9.2	Queen's Printer Inventory accounting system		28	Resolved.
	F5.9.3	Lotteries Branch accounting system		29	Resolved.
	F5.9.4	First Citizens' Fund investments		29	Resolved.
G	**Public Bodies**				
G1	**Financial statements included in Public Accounts**			29	Resolved.
G2	**B.C. Educational Institutions Capital Financing Authority to obtain debentures**			29	Resolved.
FINANCIAL MANAGEMENT & CONTROL AUDITS (1981)					
H1	**Ministry of Forests**				
H1.1	Management of the Financial Function				
	H1.1.1	Responsibilities of the Executive Financial Officer	8.40	44	Resolved.
	H1.1.2	Comprehensive development plan	8.41	44	Plan developed at review stage.
	H1.1.3	Responsibilities of financial staff	8.42	44	Resolved.
	H1.1.4	Functional relationships and responsibilities	8.43	45	Policy will be developed.
			8.44	45	Action being taken.
			8.45	45	Resolved.
	H1.1.5	Financial staff requirements	8.46	46	Recommendation not implemented due to staffing restrictions.
	H1.1.6	Financial staff training needs	8.47	46	Action being taken.
	H1.1.7	Financial accounting manual	8.48	46	Action being taken.
H1.2	Planning, Budgeting & Budgetary Control				
	H1.2.1	Planning process	8.49	47	Action being taken.
	H1.2.2	Review of budget submissions	8.50	47	Resolved.
	H1.2.3	Operating plans	8.51	47	Resolved.
	H1.2.4	Variance analysis	8.52	47	Resolved.
	H1.2.5	Commitment accounting	8.53	47	Action being taken.

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Issue			Auditor General 1981 Report Reference Paragraph	Page	Status
H1.3	Accounting & Financial Reporting Systems				
	H1.3.1	Management information system	8.54	48	Action being taken.
	H1.3.2	Processing of expenditure transactions	8.55	48	Recommendation implemented to extent possible with available staff.
	H1.3.3	Suspense accounts	8.56	49	Resolved.
	H1.3.4	Duplication of reporting system	8.57	49	Resolved.
H1.4	Financial Control of Revenue & Expenditure				
	H1.4.1	Control over billing process	8.58	49	Action being taken.
	H1.4.2	Controls in the revenue system	8.59	49	Action being taken.
H1.5	Section 88 Credits				
	H1.5.1	Policy and procedures manual	8.60	49	Resolved.
	H1.5.2	Guidelines for estimating costs	8.61	50	Resolved.
	H1.5.3	Review and approval of all projects	8.62	50	Resolved.
	H1.5.4	Guidelines for projects undertaken before approval	8.63	50	Resolved.
	H1.5.5	Standarization of schedules	8.64	50	Action being taken.
	H1.5.6	Inspection of projects	8.65	50	Action being taken.
	H1.5.7	Validity of cost claims	8.66	50	Action being taken.
	H1.5.8	Provision for audit	8.67	51	Recommendation will be considered for cost claims.
	H1.5.9	Monitoring compliance with policy	8.68	51	Resolved.
H1.6	Assets				
	H1.6.1	Control over cash receipts	8.69	51	Resolved.
	H1.6.2	Charging interest date	8.70	51	Recommendation not considered cost beneficial.
	H1.6.3	Improving cash flow	8.71	52	Action being taken.
	H1.6.4	Aged analyses of accounts receivable	8.72	52	Resolved.
	H1.6.5	Doubtful accounts	8.73	52	Action being taken.
	H1.6.6	Asset policy	8.74	52	Action being taken.
H1.7	Internal Audit				
	H1.7.1	Reporting relationship	8.75	52	Resolved.
	H1.7.2	Audit plan	8.76	52	Implementation delayed due to staffing restrictions.
	H1.7.3	Expanding the role of the internal auditor	8.77	53	Recommendation agreed but deferred as a priority.
H2	**Ministry of Health**				
H2.1	Management of the Financial Function				
	H2.1.1	Management's Role	8.88	55	Resolved.
	H2.1.2	Designation of responsibility	8.89	55	Resolved.
	H2.1.3	Time management	8.90	55	Resolved.
	H2.1.4	Role of the Central Financial Group	8.91	55	Awaiting approval by the Deputy Minister.
	H2.1.5	Financial staffing requirements	8.92	55	Action being taken.
			8.93	55	Action being taken.
	H2.1.6	Financial Administration Policy Manual	8.94	56	Action being taken.

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Issue	Auditor General 1981 Report Reference Paragraph	Page	Status
H2.2 Planning, Budgeting & Budgetary Control			
H2.2.1 Development of the planning process	**8.95**	**56**	Awaiting completion of staffing to achieve full participation.
H2.2.2 Guidelines for funded agencies	**8.96**	**56**	Action being taken.
H2.2.3 Budget review and approval	**8.97**	**56**	Resolved.
H2.2.4 Payments to non-government agencies	**8.98**	**56**	Completion of staffing will allow compliance.
H2.3 Accounting & Financial Reporting System			
H2.3.1 Chart of accounts	**8.99**	**57**	Resolved.
H2.3.2 Financial reporting requirements	**8.100**	**57**	Action being taken.
	8.101	**58**	Action being taken.
H2.3.3 Approval of new systems	**8.102**	**58**	Resolved.
H2.3.4 Development standards for new systems	**8.103**	**58**	Action being taken.
H2.4 Expenditure & Revenue Controls			
H2.4.1 Revenue sources and controls	**8.104**	**58**	Action being taken.
H2.4.2 Financial signing authorities	**8.105**	**58**	Resolved.
H2.5 Assets	**8.106**	**58**	Action being taken.
H2.6 Internal Audit	**8.107**	**59**	Action being taken.
	8.108	**59**	Action being taken.

STATUS OF FINDINGS IN PREVIOUS FINANCIAL MANAGEMENT & CONTROL AUDITS

I1 Ministry of Education

I1.1 Role, Function & Reporting Relationships of the Senior Financial Officer			
I1.1.1 Role of the Senior Financial Officer	**9.19**	**60**	Resolved.
I1.1.2 Reporting relationships	**9.20**	**60**	Resolved.
	9.21	**61**	Resolved.
I1.2 Function & Direct Relationships	**9.22**	**61**	Resolved.
	9.23	**61**	Resolved.
I1.3 Staffing & Training			
I1.3.1 Training of financial staff	**9.24**	**62**	Resolved.
	9.25	**62**	Resolved.
I1.3.2 Rotation of financial officers	**9.26**	**62**	Recommendation implemented where feasible.
I1.4 Communications	**9.27**	**62**	Resolved.
I1.5 Ministry Budgetary Procedures			
I1.5.1 Responsibilities in budget preparation	**9.28**	**63**	Resolved.
I1.5.2 Budget responsibilities of Financial Services	**9.29**	**63**	Resolved.
I1.5.3 Approval of budget and adjustments	**9.30**	**63**	Resolved.
I1.5.4 Variance analysis	**9.31**	**63**	Resolved.
I1.5.5 Guidelines and training for the commitment system	**9.32**	**64**	Resolved.
I1.5.6 Financial impact of new programs	**9.33**	**64**	Resolved.
I1.6 Budgets Submitted by School Districts			
I1.6.1 Budget preparation	**9.34**	**64**	Pilot project planned for 1983.

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Issue		Auditor General 1981 Report Reference Paragraph	Page	Status
I1.6.2	Control over special program funds	9.35	65	Action being taken.
I1.6.3	Review of the budgeting system	9.36	65	Dependent on I1.6.1.
I1.6.4	Challenging submitted budgets	9.37	65	Resolved.
I1.7	Budgets Submitted by Post-Secondary Institutions			
I1.7.1	Responsibility for budgets	9.38	65	Resolved.
I1.7.2	Senior Financial Officer Involvement	9.39	66	Resolved.
I1.7.3	Review of funds for continuing education	9.40	66	Resolved.
I1.7.4	Long-term plans	9.41	66	Action being taken.
I1.8	Financial Management Reporting			
I1.8.1	Review of the financial management reporting system	9.42	66	Budgeted for in 1983/84.
I1.8.2	Review of subsidiary accounts	9.43	67	Action being taken.
I1.8.3	Cost-benefit analyses of new systems	9.44	67	Resolved.
I1.9	Documentation of Revenue & Expenditure Systems	9.45	67	Action being taken.
I1.10	Accounting Controls			
I1.10.1	Control over Votes 56 & 60	9.46	68	Resolved.
I1.10.2	Verification of amount charged to Vote 59	9.47	68	Resolved.
I1.10.3	Control over Student Aid Program	9.48	68	Resolved.
I1.10.4	Control over French language education funds	9.49	68	Action being taken.
I1.11	Revenue Controls			
I1.11.1	Identification of revenue sources and accounting controls	9.50	69	Budgeted for in 1983/84.
I1.11.2	Revenue budgets	9.51	69	Budgeted for in 1983/84.
I1.12	Responsibilities for Control Over Assets & Liabilities	9.52	69	Action being taken.
I1.13	Accounting & Physical Controls in Asset Management Systems			
I1.13.1	Review and documentation of asset controls	9.53	70	Action being taken.
I1.13.2	Fixed asset records	9.54	70	Action being taken.
I1.13.3	Segregation of duties	9.55	70	Action being taken.
I1.14	Ministry Internal Audit			
I1.14.1	Review of internal audit needs	9.56	70	Action being taken.
I1.14.2	Internal audit program	9.57	70	Action being taken.
I1.15	Operational Reviews of School Districts, Colleges & Institutes			
I1.15.1	Auditing the use of funds	9.58	71	Recommendation implemented to extent possible with available staff.
I1.15.2	Operational review units	9.59	71	Recommendation implemented to extent possible with available staff.
I1.16	School's Enrollment Data—Independent Verification	9.60	71	Resolved.
I2	**Ministry of Finance**			
I2.1	Role of the Financial Management			
I2.1.1	Management of the financial function	9.67	72	Resolved.
I2.1.2	Functional direction	9.68	72	Resolved.
I2.1.3	Senior Financial Officer	9.69	72	Resolved.

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Issue			Auditor General 1981 Report Reference Paragraph	Page	Status
12.2	Staffing of the Financial Function				
	12.2.1	Position classifications	9.70	73	Action being taken.
	12.2.2	Training and professional development	9.71	73	Resolved.
	12.2.3	Financial function staff requirements	9.72	73	Budgeted for in 1983/84 budget.
12.3	Communication & Documentation		9.73	73	Action being taken.
12.4	Planning, Budgeting & Budgetary Control		9.74	74	Resolved.
12.5	Accounting & Financial Reporting Systems		9.75	74	Resolved.
12.6	Controls Over Expenditures				
	12.6.1	Preparation of expenditure vouchers in the Treasury Section	9.76	75	Resolved.
	12.6.2	Approval of claims against the "Contingencies" (All Ministries) Vote	9.77	75	Action being taken.
	12.6.3	Expenditure controls in the Securities Section	9.78	75	Resolved.
12.7	Controls Over Revenues Including Accounts Receivable				
	1.2.7.1	Revenue control and collection policies	9.79	76	Resolved.
	12.7.2	Treasury Section cash and banking procedures	9.80	76	Resolved.
	12.7.3	Consumer Taxation Branch cash handling procedures	9.81	76	Resolved.
	12.7.4	Income Taxation Branch collection and accounting procedures	9.82	77	Resolved.
	12.7.5	Real Property Taxation Branch billing and accounting system	9.83	77	Budgeted for in 1983/84 budget.
12.8	Control Over Assets				
	12.8.1	Asset policy statement	9.84	77	Policy drafted.
	12.8.2	Inventory count of securities	9.85	77	Resolved.
	12.8.3	Fixed asset inventory	9.86	78	Resolved.
12.9	Internal Audit				
	12.9.1	Internal audit plan	9.87	78	Resolved.
	12.9.2	Scope of internal audit	9.88	78	Resolved.
13	**Ministry of Human Resources**				
13.1	Organization and Management of the Financial Function				
	13.1.1	Responsibilities of the Comptroller	9.90	80	Resolved.
	13.1.2	Role of the Comptroller	9.91	80	Resolved.
	13.1.3	Defining procedures	9.92	80	Resolved.
	13.1.4	Operational plan	9.93	80	Action being taken.
	13.1.5	Approval of new systems	9.94	81	Resolved.
	13.1.6	On-line computer systems	9.95	81	Resolved.
	13.1.7	Financial control criteria	9.96	81	Action being taken.
	13.1.8	Accounting controls—Income Assistance Plan	9.97	82	Action being taken.
	13.1.9	Staffing	9.98	82	Resolved.
	13.1.10	Accounting manual	9.99	82	Resolved.
	13.1.11	Control of new projects	9.100	82	Resolved.
13.2	Planning, Budgeting & Budgetary Control				
	13.2.1	Strategic and long-term plans	9.101	83	Resolved.
	13.2.2	Budget estimates	9.102	83	Resolved.
	13.2.3	Guidance for budget preparation	9.103	83	Resolved.
	13.2.4	Translating the annual estimates	9.104	83	Action being taken.
	13.2.5	Monitoring the budget	9.105	83	Variance analysis handled centrally.

Issue			Auditor General 1981 Report Reference Paragraph	Page	Status
	I3.2.6	Budget manual	9.106	84	Resolved.
I3.3	Accounting & Financial Reporting Systems				
	I3.3.1	Financial reporting requirements	9.107	84	Action being taken.
	I3.3.2	Cost-benefit analysis	9.108	84	Resolved.
	I3.3.3	Batch control procedures	9.109	84	Action being taken.
	I3.3.4	Contingency plans	9.110	84	Action being taken.
I3.4	Financial Control of Revenue & Expenditure				
	I3.4.1	Segregation of duties	9.111	85	Resolved.
	I3.4.2	Payroll procedures	9.112	85	Action being taken.
	I3.4.3	Policy and procedures for accounts receivable	9.113	85	Action being taken.
	I3.4.4	Control over cash receipts	9.114	85	Resolved.
	I3.4.5	Documentation of procedures	9.115	85	Resolved.
I3.5	Accounting Controls Over Assets		9.116	85	Action being taken.
I4	**Ministry of Lands, Parks & Housing**				
I4.1	Organization of the Financial Function				
	I4.1.1	Role of the Executive Financial Officer	9.125	86	Resolved.
			9.126	86	Resolved.
			9.127	86	Resolved.
	I4.1.2	Development of a comprehensive plan	9.128	87	Resolved.
	I4.1.3	Staffing of the Central Financial Group	9.129	87	Resolved.
	I4.1.4	Functional relationships	9.130	87	Resolved.
	I4.1.5	Non-financial functions of financial officers	9.131	87	Resolved.
	I4.1.6	Staff resources	9.132	87	Resolved.
	I4.1.7	Staff training	9.133	88	Resolved.
	I4.1.8	Documentation and communication of financial functions	9.134	88	Addressed in part—action being taken on outstanding items.
I4.2	Planning, Budgeting & Budgetary Control				
	I4.2.1	Strategic and long-term plans	9.135	88	Resolved.
	I4.2.2	Estimates procedures	9.136	88	Resolved.
			9.137	89	Resolved.
	I4.2.3	Operating budgets	9.138	89	Resolved.
	I4.2.4	Variance analysis	9.139	89	Resolved.
I4.3	Accounting & Financial Reporting Systems				
	I4.3.1	Review of systems	9.140	89	Review completed and submitted to Executive.
	I4.3.2	Management information system	9.141	90	Action being taken.
	I4.3.3	Approval of new systems	9.142	90	Resolved.
	I4.3.4	Existing reporting systems	9.143	90	Action being taken.
I4.4	Financial Control of Expenditure & Revenue				
	I4.4.1	Development of an accounting manual	9.144	90	Resolved.
	I4.4.2	Staff training review	9.145	91	Resolved.
	I4.4.3	Auxiliary staff	9.146	91	Action being taken.
	I4.4.4	Financial signing authorities	9.147	91	Resolved.
	I4.4.5	Parks revenue—internal control	9.148	91	Resolved.
	I4.4.6	Responsibility for monitoring revenue	9.149	91	Recommendation considered but rejected—alternative action taken.

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Issue			Auditor General 1981 Report Reference Paragraph	Page	Status
	I4.4.7	Land Lease revenue system	9.150	91	Issues resolved and further improvements planned.
	I4.4.8	Land sales and receivables accounting system	9.151	92	Action being taken.
	I4.4.9	Responsibilities for land lease and sales	9.152	92	Action being taken.
	I4.4.10	Reliable processing of data	9.153	92	Action being taken.
I4.5	Asset Controls				
	I4.5.1	Asset control policy	9.154	92	Action proposed.
	I4.5.2	Responsibility for asset control systems	9.155	92	Resolved.
I4.6	Crown Land Fund				
	I4.6.1	Accounting responsibility	9.156	93	Action being taken.
	I4.6.2	Reconciliation of account balances	9.157	93	Resolved.
	I4.6.3	Reporting system	9.158	93	Action being taken.
I4.7	B.C.H.M.C.				
	I4.7.1	Monitoring responsibilities and reporting requirements	9.159	93	Resolved.
	I4.7.2	Written agreement with BCHMC	9.160	93	Resolved.
	I4.7.3	Adequacy of accounting controls	9.161	94	Action being taken.
	I4.7.4	BCHMC program audits	9.162	94	Resolved.
I4.8	Internal Audit		9.163	94	Resolved.
COMPREHENSIVE AUDIT—MINISTRY OF ENVIRONMENT					
J1	**Program Management & Accountability Information**				
J1.1	Statement of goals and objectives		9.70	143	Action been taken.
J1.2	Functional guidance and direction		9.71	143	Action been taken.
J1.3	Financial and performance reports to Legislature		9.78	143	Resolved.
			9.79	143	Action being taken.
J1.4	Definition of responsibilities		9.84	143	Partially resolved—action being taken on remaining issues.
J1.5	Review of water quality monitoring stations		9.101	143	Resolved.
J1.6	Reporting procedures of monitoring water quality		9.102	144	Action proposed.
J1.7	Ranking mechanisms for dischargers		9.112	144	In testing stage.
J1.8	Measurements and reporting procedures for the Waste Management Program		9.113	144	Action been taken.
J2	**Controls in the Waste Management Program**				
J2.1	Development of program policies and procedures		9.125	144	Action being taken.
J2.2	Improving managerial and supervisory skills		9.126	144	Action being taken.
J2.3	Identification and collection of information		9.135	144	Action being taken.
J2.4	Development of a formal waste management plan		9.136	144	Action being taken.
J2.5	Maintaining a discharger inventory		9.142	145	Action being taken.
J2.6	Assessing the grounds for deferment of negotiated abatement agreements		9.156	145	Action being taken.
J2.7	Establishment of a permit quality review function		9.157	145	Resolved.
J2.8	Review of current permits		9.158	145	Action being taken.
J2.9	Identification of overdue and missing discharger reports		9.167	145	Action being taken.
J2.10	Policy and procedures for data submission		9.168	145	Action being taken.
J2.11	Policy and reporting procedures for inspections		9.173	145	Action being taken.
J2.12	Procedures for non-compliance with permit conditions		9.182	145	Action being taken.
J2.13	Policy and porocedures for staff guidance in responses to non-compliance		9.188	146	Resolved.

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Issue		Auditor General 1981 Report Reference Paragraph	Page	Status
J3	**Financial Management & Control**			
J3.1	Policy on the role of financial management	**9.202**	**146**	Action being taken.
J3.2	Assessing the number and quality of staff	**9.203**	**146**	Resolved.
J3.3	Training requirements of financial staff	**9.204**	**146**	Resolved.
J3.4	Documentation of accounting systems and procedures	**9.205**	**146**	Action being taken.
J3.5	Integration of planning and budgeting processes	**9.210**	**146**	Action being taken.
J3.6	Quality of budget submissions	**9.211**	**146**	Action being taken.
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